

**MIDLANDS STATE UNIVERSITY**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF MANAGEMENT**



**THE INFLUENCE OF ECOCASH ON ZIMBABWEAN COMMERCIAL  
BANKS' STRATEGIES (2011-2013)**

**BY**

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REQUIREMENTS OF EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION  
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# MIDLANDS STATE UNIVERSITY

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## **DEDICATION**

I dedicate this research to my loving wife Otilia, and my two children Yolanda and Josh (jnr) who inspired me to stand up to all the challenges I faced. My mother Lenah and Father Patrick who kept on encouraging me to have faith and remain focused until the end.

## **ACKNOWLEDGEMENTS**

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## ABSTRACT

This study focused on the influence of EcoCash on commercial banks' strategies in Zimbabwe. The study was motivated by the fact that banks failed to ensure financial inclusion and to take advantage of unbanked market and this resulted in Econet seeing an opportunity and launched EcoCash. EcoCash has had a huge impact and its accounts exceed total bank accounts. Objectives of the study were to examine reasons for the emergence of EcoCash, to assess the influence of EcoCash on Zimbabwean banks' market, to explore strategies put in place by banks in light of entrance of EcoCash into the financial sector, to analyse sources of competitive advantage for Zimbabwean banks, and to propose a model that brings collaborative synergies between EcoCash and the Zimbabwean banks. The study reviewed literature related to strategy, competitive advantage, the emergence of MMT services in Africa and influence of MMT on banks' market. The study population was comprised of employees and managers in 16 commercial banks, RBZ, and BAZ. The researcher used a mixture of probability and non-probability sampling techniques. Self-administered questionnaires and structured interviews were used as research instruments. The study found out that EcoCash was prominent because commercial banks failed to exploit the unbanked informal market. EcoCash resulted in decline in bank deposits and clients closed their accounts. Nevertheless, commercial banks have competitive advantage in terms of being able to process high value transactions, and facilitate international transactions. The study recommended that there was need for commercial banks to ensure training of employees and to empower employees through participation in decision making. It was also important for the financial institution to ensure a high level of employee motivation. Motivation of employees would be starting point of ensuring customer satisfaction because human resources are sources of competitive advantage. Another recommendation was that commercial banks should invest in research and development and come up with new, unique products and research should be conducted so that banks are aware of expectations of clients. It was held that banks were facing stiff competition from EcoCash, therefore, they needed to ensure that alliances signed with other companies are effective. For example, the bank could have fully exploited its partnership with EcoCash and ensure convenience to clients. New strategic alliances, for example with funeral assurance companies like Nyaradzo, could be sought. The researcher recommended that a study on effectiveness of commercial banks' human resources strategies be conducted. This was because of the fact that the researcher discovered, during the conduct of study, that human resources are sources of competitive advantage for any company. Therefore, having effective human resource management practices would ensure customer satisfaction and commercial banks would be able to retain clients.

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## List Acronyms

- **BAZ:** Bankers Association of Zimbabwe
- **GDP:** Gross Domestic Product
- **MMT:** Mobile Money Transfer
- **MOU:** Memorandum of Understanding
- **RBZ:** Reserve Bank of Zimbabwe



# CHAPTER I

## INTRODUCTION

### 1.1 Introduction

This study focused on the influence of EcoCash on commercial banks' strategies in Zimbabwe. This chapter presents the following key areas of the research; background to the study, statement of the problem, research objectives, research questions, significance of the study, assumptions, delimitation of the study, theoretical framework, limitations of the study, and definition of key terms.

### 1.2 Background to the Study

In the years following Zimbabwe's attainment of independence in 1980, the economy was liberalized and the financial services sector experienced fair growth providing a wide range of business opportunities for the indigenous population. In spite of this growth in the number of financial institutions the customer target market is largely the formal sector. The soundness and financial condition of banks has generated a lot of debate lately amongst academics and policy makers, especially in view of the electronic commerce in Zimbabwe since the introduction of multicurrency regime in 2009. In its January 2011 monetary policy statement the Central Bank called upon banks and other relevant stakeholders to deliberately invest in non brick and mortar infrastructure throughout the country so as to promote the use of cards as an electronic payment mechanism (RBZ, 2011).

Geographical representation of branches is also concentrated in major cities and towns. Rural communities and the informal sector appear not to be a priority in this regard (Chitura et al, 2009). Therefore, there was low financial inclusion in Zimbabwe and in a January 2011 Monetary Policy Statement, the Reserve Bank of Zimbabwe (RBZ)

Governor noted with concern the attitudes of some banks which were not operating in the spirit of laying a solid foundation for sustainable financial inclusion in the economy.

According to Devlin and Gregor (2008), there was a growing consensus on the importance of financial inclusion the world over. Technological advancements have resulted in mobile phone operators providing Internet facilities and there was scope for ensuring financial inclusion through mobile banking. These developments afforded companies opportunities to interact with clients and business partners using mobile phone Internet facilities. However, banks were slow in terms of adopting Internet banking and large sections of the population remained unbanked. According to Makunike (2013), only about 24% of the population had access to formal banking services. Along similar vein, Mapakeme (2013) argued that 11.2 million Zimbabweans were without formal banking services.

Therefore, technological developments were expected to facilitate financial inclusion. However, the adoption of Internet banking in the Zimbabwean banking had been sluggish despite the convenience it brings to the customers and the banks. According to Dube et al (2009), if the banks and policy makers (Government and the Central Bank) had been innovative and proactive the liquidity challenges affecting most commercial banks would have been mitigated as customers would have resorted to the digital payment systems that do not require them to visit banking halls for hard cash.

Moreover, the recognition that access to suitable financial services is a critical enabler of quality-of-life improvements and economic development is not in dispute. Access to financial tools such as savings products, payment services, remittances and insurance, equips poor people with a greater capacity to increase or stabilize their income, strengthen their resilience to economic shocks and build assets. In spite of such apparently obvious benefits, it was arguable that Zimbabwe financial institutions were paying a lip service to such a worthy cause. This attitude and absence of strategic vision

entailed that banks lost opportunities to exploit the unbanked market. Therefore, Econet Wireless saw the opportunity and launched EcoCash in 2011.

Levlin (2013) pointed out that EcoCash is altering Zimbabwe's financial landscape and could threaten the sustainability of banks. The existence of a large unbanked market resulted in Econet management realizing that there was an opportunity to play a role in financial service delivery. As a result, within two years of launch, over 2.3 million Zimbabweans had registered for EcoCash mobile money accounts, outnumbering all of Zimbabwe's traditional bank accounts combined (Levlin, 2013). Over 1 million of these accounts were active and pushed US\$200 million of volume over the EcoCash platform every month. When annualised, that volume represented an amount equivalent to 22% of Zimbabwe's Gross Domestic Product (GDP) (Levlin, 2013).

The researcher believed that banks ought to have been exploiting the market which now falls under Econet. Management of banks was supposed to take advantage of opportunities in the macro environment and gain competitive advantage. Therefore, it seemed as if there were inadequacies in the strategic management process within banks. One can argue that the reason why banks were failing was due to lack of strategic vision on the part of management.

In addition, Econet was looking forward to further exploitation of the financial services sector and launched EcoSave, where people could operate savings accounts, apply for, and receive loans through EcoCash. Such innovative seemed to lack among institutions that were supposed to take a leading role in financial matters. Therefore, if banks are to survive competition, there is need for effectiveness in strategic management.

Effective strategies are required so that banks could reduce the damage being caused competition from EcoCash. There is need for banks to respond to EcoCash or most risk being liquidated and follow the path of failed banks.

Moreover, effective strategies are required so that banks restore investors and depositor confidence. The hyperinflationary environment which haunted the country, within the last decade (2000 to 2008) affected the banking industry negatively. The rapid fall in value of the Zimbabwe dollar and cash shortages made financial sector highly unpopular. The soundness and financial condition of banks has generated a lot of debate lately amongst academics and policy makers, especially in view of the electronic banking in Zimbabwe since the introduction of multicurrency regime in 2009. The Central Bank has constantly implored banks to conduct their business within the confines of regulatory environment and technological competitiveness in signed a memorandum of understanding (MOU) with banks during the beginning of 2013 that was aimed at ensuring ethical conduct. To this end, the researcher raises questions on the effectiveness of competitive strategies in place within the banking industry. Therefore, this study assessed strategies within banks, especially in response to EcoCash.

### **1.3 Problem Statement**

Zimbabwe has more than 25 financial institutions, all of which seemed to have failed to ensure financial inclusion and to take advantage of unbanked market. EcoCash has had a huge impact and its accounts exceed total bank accounts. The response from banks has been to issue a complaint to regulators that Econet was entering the financial sector in which it was not a registered bank. One can argue that there was a need for banks not to be ‘crybabies’ and respond to EcoCash through strategy. Therefore, this study sought to assess if banks have adopted any strategies in response to EcoCash.

### **1.4 Research Objectives**

This study aimed at achieving the following objectives;

- To examine reasons for the emergence of EcoCash.
- To assess the influence of EcoCash on Zimbabwean banks’ market.
- To explore strategies put in place by banks in light of entrance of EcoCash into the financial sector.

- To analyse sources of competitive advantage for Zimbabwean banks.
- To propose a model that brings collaborative synergies between EcoCash and the Zimbabwean banks.

## **1.5 Research Questions**

- What are the reasons for the emergence of EcoCash?
- What is the influence of EcoCash on Zimbabwean banks' market?
- What are the strategies put in place by banks in light of entrance of EcoCash into the financial sector?
- What are the sources of competitive advantage for Zimbabwean banks?
- What can be done to ensure collaborative synergies between EcoCash and the Zimbabwean banks?

## **1.6 Significance of the Study**

### **1.6.1 Significance to Practice**

The study might provide an opportunity for banks to evaluate the effectiveness of their strategies and business models. The study might help them appreciate the existence of untapped markets, and diversify their target market. The research might assist strategists and other relevant stakeholders to implement strategies using the document as empirical evidence. In addition, the study broadened the researcher's knowledge of strategic management and banking and finance.

### **1.6.2 Significance to Theory**

EcoCash was launched in 2011 and, apart from analyses done by the media, no academic research on its influence on bank strategies has been conducted. Accordingly, this study might add to the body of knowledge and to encourage future research on the subject.

## **1.7 Delimitation of the Study**

### **1.7.1 Time Scope**

The study examined the influence of EcoCash on commercial bank's strategies from 2011 (when EcoCash was launched) to 2013. The rationale was to analyse changes in the operations of commercial banks over the given time period.

### **1.7.2 Theoretical Scope**

The researcher assessed banks' strategies in light of entrance of EcoCash into the financial sector in 2011. The study examined strategies adopted by commercial bank to manage the threat posed by EcoCash. Focus was on assessing the influence of EcoCash on banks' market, and on whether banks had crafted specific strategies to counter the impact of EcoCash. The researcher also analysed the sources of competitive advantage of banks.

### **1.7.3 Geographical and Methodological Scope**

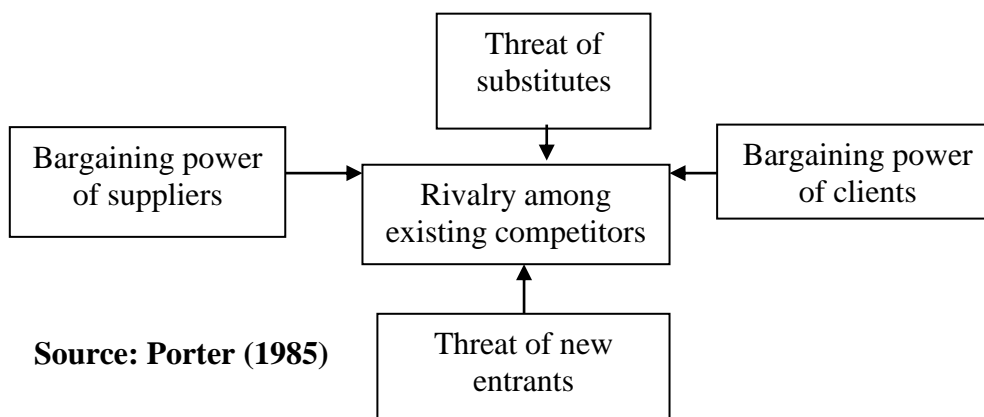
The study focused on the Zimbabwean financial sector. The study was confined to Commercial Banks, Bankers Association of Zimbabwe (BAZ) and Reserve Bank of Zimbabwe (RBZ). Information was collected from participants in Harare. The researcher was biased towards participants at head offices of banks, especially top management. For RBZ, management in bank licensing, supervision and surveillance division will be targeted for the study. Purposive sampling technique was used to select participants and attempt was made to identify participants who were good prospects for required information. There were 16 commercial banks in Zimbabwe and each bank provided five executives to the sample, while five participants were selected from BAZ and RBZ. Therefore, the sample was made up of 90 participants.



## 1.8 Theoretical Framework

The researcher made use of Porter's five forces for analysing competition. Porter (1985) identified five forces that are widely used to assess the structure of any industry. Porter's five forces are the bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitutes, and rivalry among competitors. According to Grant (2008), the strength of the five forces determines the profit potential in an industry by influencing the prices, costs, and required investments of businesses, the elements of return on investment. Stronger forces are associated with a more challenging business environment. These factors are shown in figure 1.1.

**Figure 1.1: Porter's Five Forces Affecting Strategy**



## 1.9 Limitations of the Study

The researcher faced a number of limitations during the study. The following were some of the limitations.

- Higher level management employees were not readily available due to work commitments. In order to overcome this, appointments were made in advance to ensure availability of participants.
- Participants were not willing to divulge accurate information about strategies in their respective banks because of the issue of confidentiality. However, the researcher assured them that information to be collected would be used for academic purposes only and would be treated with a high degree of confidentiality.

## 1.10 Definition of Key Terms

### 1.10.1 Key Terms

- **Competitive Advantage:** Competitive advantage is at the heart of every firm and it about staying ahead of competition and safeguarding an organization's position. Competitive advantage is the favorable position an organization seeks in order to be more profitable than its competitors.
- **Financial Inclusion:** Financial inclusion is access to financial tools such as savings products, payment services, remittances and insurance, equips poor people with a greater capacity to increase or stabilize their income, strengthen their resilience to economic shocks and build assets. Financial inclusion is also concerned about the provision of financial services at affordable costs to vast sections of disadvantaged and low income groups. Financial Inclusion, financial inclusion is characterised by four core elements or dimensions, the basic products provided, how the product is provided (convenience, affordability, and quality), the nature of clients, and the service providers.
- **Strategy:** It is a move for gaining competitive advantage. Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization. Organizations can adopt defensive or offensive strategies in order to remain competitive. Aggressive strategies are aimed at taking market away from competitors and involve a lot of risks. On the other hand, defensive strategies aim to protect an organisation's position and involve satisfaction of clients, retaining clients, and lowering risks of being attacked.

## **1.11 Summary**

This chapter introduced the study and presented the background of the study where it was highlighted that failure by banks to exploit the unbanked market resulted in the launch of EcoCash. EcoCash seem to have altered Zimbabwe's financial landscape and could threaten the sustainability of banks. The main objective of the study is to assess if banks have adopted strategies in response to EcoCash. The chapter also presented the significance of the study, delimitation, theoretical framework, research limitations, and definition of key terms. The next chapter focuses on literature review. Chapter three shall present research methodology, chapter four focuses on findings, and chapter five shall present conclusions and recommendations.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on review of literature related to strategy, competitive advantage, and MMT. The chapter discusses the emergence of MMT services in Africa and influence of MMT on banks' market. There is also a review of literature on strategies in response to competition. Focus is also on review of literature on competitive advantage and on how to ensure collaboration between MMT service providers and banks. According to Saunders, Lewis, and Thornhill (2012) literature review focuses on previous work of other scholars and it helps to put one research in context and prevents 'reinventing of the wheel'.

#### **2.2 Emergence of Mobile Money Transfer Services in Africa**

Mobile banking, also referred to as m-banking, is an application of mobile commerce that enables customers to bank virtually at any convenient time and place (Suoranta, 2003). It is also defined as the provision of banking and related financial services such as savings, funds transfer, and stock market transactions among others on mobile devices (Tiwari and Buse, 2007). Mobile banking systems offer a variety of financial functions, including micropayments to merchants, bill-payments to utilities, person to person (P2P) transfers, business to business (B2B) transfers, business to person (B2P) transfers and long-distance remittances.

Although various, and at times competing, labels and definitions have been used when discussing the provision of financial services through mobile phone networks, this study uses the increasingly popular term 'mobile money' to refer to the convergence of mobile telephony and financial services. Following Heyer and Mas (2010), mobile money includes three elements, 1) an electronic stored value account linked to a user's mobile

phone, 2) mobile phone software or application that allows users to manage their accounts, and 3) a network of agents where users can exchange between cash and electronic value. The software can afford a variety of uses, such as the ability to check a bank account balance via text message, the means to pay with or send money from a digital account on a mobile phone, or the practice of receiving insurance or credit products over the mobile network (Chaffey, 2008).

Assessing the diversity of mobile money, Gencer (2011) separates mobile money into mobile payments, mobile finance, and mobile banking. For example, in Kenya, Safaricom's service is capable of each of these functions.

According to Lawark (2013) mobile money could be an effective strategy for financial inclusion. As a form of e-banking, m-banking is defined as financial services delivered via mobile networks and performed on a mobile phone. These services may or may not be defined as banking services by the regulator, depending on the legislation of the country in question, as well as on which services are offered. MMT connect consumers financially through mobile phones and allows for any mobile phone subscriber, whether banked or unbanked, to deposit value into their mobile account, send value via a simple handset to another mobile subscriber, and allow the recipient to turn that value back into cash easily and cheaply. In this way, m-money can be used for both mobile money transfers and mobile payments. Mobile banking, and consequently, mobile payments and mobile money are the latest in a myriad of emerging technological innovations in the banking industry. The usage of mobile banking and in particular, payments by means of mobile phones, have increased in recent years in Africa (Kufandirimbwa et al, 2013).

In addition, Porteous (2006) asserts that mobile banking has the potential to be transformational owing to various facts. First, it uses existing mobile communications infrastructure which already reaches unbanked persons. Secondly it may be driven by new players, such as mobile phone industry operators, with different target markets from

traditional banks who are able to harness the power of new distribution networks for cash transactions. These include airtime merchants, who extend the reach beyond the conventional tellers or automated teller machine (ATM) networks of banks. In addition it may be cheaper than conventional banking, if the offering is competitive enough.

One of the reasons mobile money has attracted considerable attention is the expectation that it can provide affordable financial services to previously excluded populations (Ivatury, 2006). A considerable literature on financial inclusion emphasizes that ‘banking the unbanked’ can lead to better decision making, more efficient markets, and various other development goals (Collins et al. 2009). Throughout the developing world, mobile phones have emerged as one of the most widely diffused technologies; in Kenya, mobile subscriptions in 2009 were 48.65 percent of the population, up from a paltry 0.41 percent 10 years earlier. The researcher notes that this is a scale unimaginable for traditional brick and mortar infrastructure, such as bank branches. Kenya’s first MMT service, M-PESA was launched in March 2007 and since then has grown remarkably. It consists of a number of interconnected systems that form the M-PESA network. The software application resides on the SIM card. The M-PESA application connects to the Safaricom network and uses the SMS protocol to communicate with the central servers (that record transactions) and other phones (such as for a peer-to-peer value transfer). A user registers for M-PESA at any one of the hundreds of thousand licensed agents. The registration process is free and only requires the customer’s name, national identification number, date of birth, occupation, and mobile phone number (Mas and Radcliffe, 2010). The researcher observed that the registration for M-PESA is similar to that used in Zimbabwe. In fact, In Zimbabwean MMT operators actually copied from Kenya.

It was observed that, though MMT were adopted late in Zimbabwe, as compared to Kenya, Zimbabwe is on a high growth trajectory and has also embraced MMT services. The three mobile telephone operators in Zimbabwe, Econet Wireless, Telecel, and Netone, all have MMT services. MMT services, especially Econet Wireless’ EcoCash

have become prominent in facilitating transactions and sending of money. The fact that about 1.1 million people (9% of the total population) in Zimbabwe have a bank account shows that MMT services are vital in ensuring financial inclusion. Over 70 out of every 100 people have a mobile phone hence the opportunity for Mobile Money (Econet Wireless, 2012). Also, many authors acknowledge that m-banking has been taken up rapidly in many developing countries which have experienced a high penetration rate of mobile handsets in the market (Boadi *et al.*, 2007; UNCTAD, 2007; Donner, 2007; Wray, 2008; Cruz and Laukkanen, 2010).

In addition, banks seem to be neglecting the informal and rural sectors, where the unbanked market is in abundance. According to Mapakame (2013), 11.2 million Zimbabweans were without formal banking services. Given that the economy is largely informal, with small and medium sized enterprises (SMEs) constituting the majority of industries, the market form financial institutions have shifted from being formal to informal and banks seem to have failed to adjust to the social changes. Absence of financial inclusion created an opportunity for MMT services.

Consequently, customers can derive significant benefits from using their mobile phones for conducting transactions. The financial transaction process is initiated and completed in seconds. The speed of a financial transaction can create real savings for people in emerging markets. They save valuable working time as they do not have to travel to urban centers to withdraw, deposit money or pay bills. Traveling can take several hours to the institution and back. People then have to wait in line at the bank or post office to conduct transactions. Waiting times of up to 2 hours are common, especially during pay days, 4 and the entire trip can take away over half a day's salary. Therefore, people can save time by paying electronically using their mobile device or by using banking agents in their proximity to cash-in or cash-out money. Bills can be paid with the push of a few buttons instead of traveling to an often distant office with a fistful of cash and waiting in a long queue (Nuwagaba, 2012). In addition, given the fact that in the near future mobile

payments will enjoy rapid uptake, mobile network operators and financial institutions are challenged to provide a service that transmits payments quickly and reliably.

The researcher believes that it is vital for MMT service providers to meet the challenge of running a fast working system. A mobile money provider should ensure speed on three different fronts, end user devices (the mobile wallet application should have a simple user interface and transaction mechanism), back end processing (mobile networks and back office systems should be able to handle large volumes of transactions quickly), and agent density (there should be enough well-trained agents for cashing in and out to be a fast process).

### **2.3 Influence of Mobile Money Transfer on Bank's Market**

The rapid technological changes, increasingly sophisticated customers and the need for high value service have influenced the new orientation in banking from on counter banking to branchless banking (Dahlberg and Mallet, 2008). The potential for branchless banking is often anchored in the ability of technological innovations to lower the costs of offering financial services through new channels, such as point of sales (POS) devices and mobile phones. These new technologies have become much more affordable in recent years and have catalyzed significant penetration in new markets across the globe. Besides financial institutions, non-banks such as mobile network operators (MNO) have been leading the way in offering financial services through their respective networks. In many developing markets, MNOs have invested in the necessary infrastructure in rural areas that traditional banking services have failed to access with brick and mortar branches (Lyman, Pickens and Porteous, 2008). In particular, the MNOs and their agents provide an interface between the two sides through cash-out (issuing cash on demand) or cash-in (convert cash to notational equivalent) functions providing convertibility between mobile money and cash (Morawczynski and Miscione, 2008).



Increasingly, there is a great excitement about mobile money because people perceive it as the only hope that could help them to ease their financial troubles. First of all, mobile money through an increasingly large mobile phone use base provides a platform that could potentially be leveraged to service the financial needs of the poor (Hughes and Lonie, 2007). This could yield results in the developing world, where the reach of banking infrastructure is severely limited. It is therefore seen as a big deal if such timely services are extended to groups of people cheaply. Secondly, successful mobile money has the ability to enable and catalyze the development of mobile commerce (Herzberg, 2003) particularly in the developing world. With mobile money services, you need not to appear in the banking hall to effect any payment. In this case, mobile money networks have a potential to deliver the required level of proximity at low transaction costs. However, Maurer (2008) notes that mobile money networks are not equipped to offer the broad range of financial services people want and need. Notwithstanding the above limitation, the growth in mobile telecommunication service is expanding the reach of financial services across the wireless networks in less developed countries. It is however, believed that significant growth in mobile commerce has disadvantaged commercial banks in way that their liquidity has been indirectly stolen (Pickens, 2009). The potential and some existing bank customers are finding it cheaper and convenient to use mobile money services than going to the banks to effect their transactions. By doing this, the commercial banks are deprived of cash that would otherwise be received and used in financial intermediation. According to Mobile Telecommunication Network (MTN) Uganda's report 2010, close to 2.5 million people have so far registered on the mobile money service. On average, more than UGX 590 billion is transferred on mobile money platform in a month (Nuwagaba, 2012). This money could have been deposited in the banks' coffers to increase their liquidity position. The drastic decline in the number of loan transactions by 15% between July and December, 2011 (Nuwagaba, 2012), is a clear manifestation of liquidity crisis in banks.

MMT services have brought competition to banks and they are one of the causes for decline commercial banks' deposits. There is competition from non-banking institutions, for instance, mobile money transfer systems like EcoCash. Levlin (2013) pointed out that EcoCash is altering Zimbabwe's financial landscape and could threaten the sustainability of banks. The existence of a large unbanked market resulted in Econet management realizing that there was an opportunity to play a role in financial service delivery. As a result, within two years of launch, over 2.3 million Zimbabweans have registered for EcoCash mobile money accounts, outnumbering all of Zimbabwe's traditional bank accounts combined. Over 1 million of these accounts are active and push US\$200 million of volume over the EcoCash platform every month. When annualised, that volume represents an amount equivalent to 22% of Zimbabwe's Gross Domestic Product (GDP) (Levlin, 2013). Along similar lines, Samolyk (2008) pointed out that the increased competition from non-bank financial firms reflects a diminishing need for banks. However, Wheelock (2009) disputed the perception that banks were losing market share to other financial services providers.

In addition, low income levels on the part of depositors coupled with user fees that are viewed to be too high by clients, and absence of efficient Information Communication Technology (ICT) resulted in MMT services taking most of commercial banks' market. ICT has resulted in improved efficiency in the global financial system. However in most developing economies ICT lacks the necessary infrastructure to support it. This keeps the service quality low and depresses the rate of return on investments in the banking sector (Njanike, 2010).

A study by the Central Bank of Kenya (CBK, 2007) demonstrated that there are a myriad of benefits of MMT services. This is aptly demonstrated by the 85% score of M-banking customers who have registered lower transactional costs. CBK (2007) statistics put the average monthly cost of operating a current account with a Kenyan commercial bank at over Ksh 900 (\$13). M-banking reduces the cost of basic banking services to customers

with over 60 percent from what it would cost through traditional channels. The electronically managed transactions result in huge cost savings, the benefits of which are transferred to the users.

Moreover, M-Banking resolves the issues of access to finance. This is due to the lower costs of roll-out and the economies of handling low-value transactions realized by leveraging networks of existing third-party agents. Cash transactions, account opening and other transactions can be conducted online. This makes it easy to subscribe and accounts for the high customer concurrence of 91% (CBK, 2007). Ultimately transformational banking boosts access to formal finance particularly, in rural areas where many poor people live. Of the total 876 branches operated by financial institutions in Kenya 314 are in Nairobi. M-banking has opened a different access door for the unbanked (CBK, 2007).

Furthermore, M-Banking is efficient with respect to entry costs, a fact attested to by 97% of the respondents in CBK's 2007 study. This is explained by the absence of charges at the time of registration. It can be deduced that majority of persons seeking M-Banking customer attach a high consideration to the monetary consequence of enrolling into a banking facility. Thus the absence of opening account balance boosts their preference for the service.

The study by CBK (2007) also showed that the use of agents and air time distributors as service points has yielded much in terms of convenience, (this was portrayed by the 91% response). Availability of multiple outlets across the country implied more points of contact with customers as opposed to the traditional banking hall set up. Additionally, the flexible operating hours of the M-Banking agents leaves them with greater opportunities to satisfy banking requirements that may arise at any time. On the contrary Kenyan banks operate for an average of seven hours per day. The supplementary Automated Teller

Machines (ATMs) do not have a sufficient outreach since they are only available in major towns.

In addition, Nuwagaba (2012) pointed out that, contrary to the popular wisdom that mobile phone money services are meant for funds transfer and remittance, most people use the service as a savings store. Consequently the visits to the bank only involve those amounts that cannot be effectively undertaken within the deposit and withdrawal limits provided by the service operators. Users indicated that they use the facility as a savings account despite the fact that no interest is earned. The reprieve is that no ledger fees are levied on the accounts hence striking a rational symbiotic equilibrium between the user and the service provider. Therefore, MMT service providers have affected commercial bank's markets. In many countries, many non-banks have entered the mobile payments market, often with innovative solutions. Mobile network operators like Vodafone, MTN, Orange and Airtel have deployed mobile payments services in several countries or have set up joint ventures between them, like Isis in the US or project Oscar in the UK (Kufandirimbwa et al, 2013). Money transfer operators like Western Union and MoneyGram, as well as card companies like Visa, MasterCard and Amex all have multiple mobile payments initiatives. Nuwagaba (2012) also pointed out that payment service providers like PayPal are throwing their full weight into mobile and e-commerce companies like Google are deploying wallets for contactless payments using Near Field Communications (NFC).

However, banks still have niche markets. For example, international remittances are more sought after from the traditional banks in comparison to cash transfers. Most transfers undertaken by respondents happen to be local. This probably explains the low percentage of MMT service providers (36%) seeking international transfer services (Nuwagaba, 2013). The threat still exists, especially with the rolling out of international mobile transfer systems like the one jointly launched recently by Maxis Company of Malaysia and Globe Telecom of the Philippines, the number of individuals relying on banks for the

service may decline as customers switch to the an international online M-Banking option (Lawark, 2013).

## **2.4 Strategies in Response to Competition**

There are two possible strategies that an organisation can adopt in order to fight competition. These are offensive and defensive strategies. According to Johnson and Scholes (2010), offensive strategies are rivalry in nature and are aimed at attacking competitors. On the other hand, defensive strategies are aimed at protecting an organisation's market share and embody retaining current customers.

Moreover, Porter (1985) argued that a business needs to make two fundamental decisions in establishing its competitive advantage. Firstly, there is need to decide whether to compete primarily on cost, which is necessary to sustain competitive prices, or to compete through providing some distinctive points of differentiation that justify higher prices. Secondly, a decision on how broad a market target will aim at (its competitive scope) should be made. These two choices define the four generic competitive strategies which he argues cover the fundamental range of choices. These are, cost leadership strategy, differentiation, price focus, and differentiation focus strategy.

### **Cost Leadership Strategy**

It refers to a appealing to a broad cross-section of the market by providing products or services at the lowest price. This requires being the overall low-cost provider of the products or services. Implementing this strategy successfully requires continual, exceptional efforts to reduce costs; without excluding product features and services that buyers consider essential (Johnson, Scholes and Whittington, 2008). It also requires achieving cost advantages in ways that are hard for competitors to copy or match. Some conditions that tend to make this strategy an attractive choice are:

- The industry's product is much the same from seller to seller

- The marketplace is dominated by price competition, with highly price-sensitive buyers
- There are few ways to achieve product differentiation that have much value to buyers
- Most buyers use product in same ways
- Switching costs for buyers are low
- Buyers are large and have significant bargaining power

Consequently, financial institutions can use internet as a way of ensuring low cost leadership strategy. The internet could allow banks to provide services to clients cheaper.

### **Differentiation Strategy**

Appealing to a broad cross-section of the market through offering differentiating features that make customers willing to pay premium prices, e.g., superior technology, quality, prestige, special features, service, convenience. Success with this type of strategy requires differentiation features that are hard or expensive for competitors to duplicate (Johnson, Scholes and Whittington, 2008). Sustainable differentiation usually comes from advantages in core competencies, unique company resources or capabilities, and superior management of value chain activities. Some conditions that tend to favour differentiation strategies are;

- There are multiple ways to differentiate the product/service that buyers think have substantial value
- Buyers have different needs or uses of the product/service
- Product innovations and technological change are rapid and competition emphasizes the latest product features
- Not many rivals are following a similar differentiation strategy (Grant, 2008)

### **Price-Focus Strategy**

It refers to a market niche strategy, concentrating on a narrow customer segment and competing with lowest prices, which, again, requires having lower cost structure than competitors. According to Kotler (2004), some conditions that tend to favour focus (either price or differentiation focus) are;

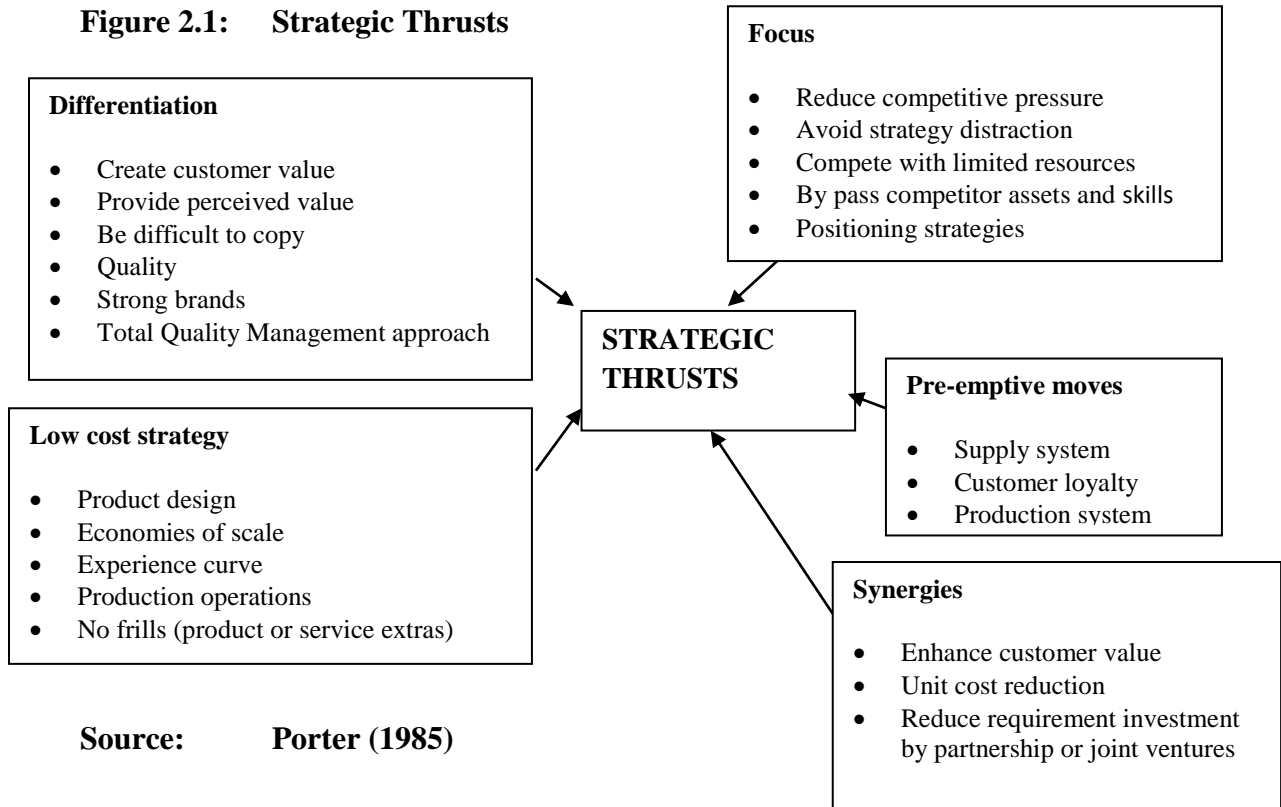
- The business is new and/or has modest resources
- The company lacks the capability to go after a wider part of the total market
- Buyers' needs or uses of the item are diverse; there are many different niches and segments in the industry
- Buyer segments differ widely in size, growth rate, profitability, and intensity in the five competitive forces, making some segments more attractive than others
- Industry leaders don't see the niche as crucial to their own success
- Few or no other rivals are attempting to specialize in the same target segment

### **Differentiation-Focus Strategy**

Allio (2005) pointed out that differentiation strategy is a second market niche strategy (in addition to price focus) concentrating on a narrow customer segment and competing through differentiating features. Consequently, price focus or differentiation focus strategies are built around serving a particular target very well. These strategies rest on the premise that the firm is able to serve its narrow strategic target more efficiently than competitors who are competing more broadly.

The benefits of focus strategy are that the business will have a more detailed understanding of particular segments, reputation for specialization and the ability to concentrate efforts. More so, organisations can ensure competitive strategy through a number of strategic thrusts. The strategic thrusts, which include the three generic strategies, also include pre-emptive moves and synergistic posture (Akan et al, 2006). Figure 2.1 illustrates the strategic thrusts.

**Figure 2.1: Strategic Thrusts**



### **Best-Cost Provider Strategy**

Best-cost provider strategy is not one of Porter’s basic four strategies, however, this strategy is mentioned by a number of other writers who include Kay (2000), Grant (2008), and Johnson and Scholes (2010). This is a strategy of trying to give customers the best cost/value combination, by incorporating key good-or-better product characteristics at a lower cost than competitors. This strategy is a mixture or hybrid of low-price and differentiation, and targets a segment of value-conscious buyers that is usually larger than a market niche, but smaller than a broad market. Successful implementation of this strategy requires the company to have the resources, skills, capabilities (and possibly luck) to incorporate up-scale features at lower cost than competitors.

Best cost provider strategy could be attractive in markets that have both variety in buyer needs that make differentiation common and where large numbers of buyers are sensitive



to both price and value. Porter (1985) might argue that this strategy is often temporary, and that a business should choose and achieve one of the four generic competitive strategies above. Otherwise, the business is stuck in the middle of the competitive market place and will be out-performed by competitors who choose and excel in one of the fundamental strategies. However, some companies like Honda and Toyota seem to be able to pursue successfully a best-cost provider strategy, with stability. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. Slatter (1984) argued that the resource-based view emphasizes that for a firm to create a competitive advantage that ultimately results in superior value creation it must utilise its resources and capabilities effectively.

Moreover, the resource-based view asserts that for a firm to develop a competitive advantage, it must have resources and capabilities that are superior to those of its competitors (Grant, 2008). Without this superiority, the competitors simply could replicate what the firm was doing and any advantage would quickly disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. Some examples of such resources are patents and trademarks, proprietary know-how, installed customer base, Reputation of the firm and brand equity.

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies (Johnson and Scholes, 2010).

## Other Strategies

Organisations can also adopt other strategies over their life cycle. These are growth and diversification strategies.

## Growth Strategy

Growth in an organisation occurs when turnover increases, when value added to products or services are boosted, when profits are raised and when resources are multiplied (Grant, 2008). The different strategies under this item are summarised in Table 2.1

**Table 2.1: Alternative Growth Strategies**

<b>Existing Markets</b>	<b>Growth In Existing Products Through;</b> <ul style="list-style-type: none"><li>• Increased market share</li><li>• Increased product usage</li><li>• Increased quantity</li></ul>	<b>New Product Development</b> <ul style="list-style-type: none"><li>• Add new features</li><li>• Expand product line</li><li>• Develop new products for some market</li><li>• New generation product</li></ul>
<b>New Markets</b>	<b>Market Development</b> <ul style="list-style-type: none"><li>• Expand geographically</li><li>• Target new segments</li></ul>	
<b>Vertical Integration</b>	Forward and backward integration	

**Grant (2008)**

## Diversification Strategies

There are three types of diversification strategies namely concentric, horizontal and conglomerate. Concentric diversification is diversification into related products or services (adding new but related products e.g. if Telecel were to enter the video programming business or ZESA venturing into wind energy project (for its energy generation). Horizontal diversification (unrelated products) is about adding new products and services for existing customers. Lastly, conglomerate diversification (adding new unrelated products) includes mergers with and acquisitions of firms in a different line of business (Kotler, 2004).

It is vital to note that one of the strategies for fighting competition is to move in tandem with technology. The country's mobile subscriber base continues to grow and more and more consumers are warming up to Internet banking. The opportunity to access a banking account at anytime, anywhere a customer has an Internet connection, is a major advantage for individuals and businesses. There are no headaches about being unable to access a bank account if one is out of town, or if the weather is too unfriendly to allow an individual to travel to the bank's physical location. Figures released by Reserve Bank of Zimbabwe showed that a cumulative total of mobile and Internet transactions of 457 513 valued at \$193.13 million were processed from January to November 2010 ([www.zimvest.com](http://www.zimvest.com) -04 March 2014). Of the \$193.13 million, Internet transactions accounted for 99%, while mobile payments were 1% of the same amount. Mobile phone penetration in Africa has leapfrogged and Zimbabwe is no exception with a subscriber base estimated to be over 5 million ([www.zimvest.com](http://www.zimvest.com)- 04 March 2014).

The launch of broadband internet by mobile service providers, Africom and Powertel among others has expanded the availability of Internet in the country and it can only mean an accelerated growth in Internet banking. Conventional banking has always been slow and time consuming, so much so that consumers sometimes have to wait several hours to process a simple transaction like clearing a cheque. Internet banking has tremendously reduced the time required to process banking transactions, thereby making banking faster and convenient. For the bankers this system is cost-effective, as it has considerably reduced the administrative costs and paperwork related to the transactions.

Total quality management (TQM) is also one of the strategies for retaining clients and responding to competition. Grant (2008) pointed out that TQM is a managed process which involves people, systems, and supporting tools and techniques. Flack (2010) further explained that TQM is divided into three, that is 'total', 'quality', and 'management'.

The word 'total' means everyone in the organisation, all processes, systems, levels of management and employees must be involved in satisfying the customer. The word 'quality' means so many things to so many people, nevertheless, Grant (2008) views it as an unusually slippery concept, easy to visualise and yet exasperatedly difficult to define. For Flack (2010) 'quality' is zero defects in satisfying customers. Finally, 'management' is about planning, organising, leading, and controlling business resources to achieve objectives (Flack, 2010). According to Johnson and Scholes (2010) TQM is a strategy for improving business performance through the commitment and involvement of all employees to fully satisfying agreed customer requirements, at the optimum overall costs through the continuous improvement of the products and services, business processes and people involved.

In addition, there is need for bank to restructure their governance procedures, operating models, information security and risk management activities to align them with the global trends. Banks should deepen current strategies aimed at diversifying current portfolio funding from Large and Local Corporate to expanding their Retail and Small and Medium Enterprise (SME) market segment which is still very much underserved. Banks must also continue to develop products that focus on these 'unbanked population' with the aim of converting them into regular bank account holders. In a bid to develop a long term funding portfolio and reduce the high priced purchased funds, individuals should be encouraged to develop a savings culture (Harvey and Spong, 2010).

Moreover, in today's business environment, competition is order of the day. The international or global environment consists of all those factors that operate at the transactional, cross-cultural and across the border level which have an impact on the business of an organization. Before the complexity of environmental analysis started, traced back to post-second world war period, then it was characterized as essential political in nature with little in common with the interests of business and industry (Kazmi, 2008). The classification of the general environment into sectors after this period

brings more light and exposes most of the business owner into real business environment. These then help most of organization to cope with its complexity, to compete the various difference factor that influence the operation of business in a particular area.

A company's marketing system must operate within the framework of forces which constitute the system's environment, the major environmental forces are external variables which are not easily control or manipulate by the executives in a firm (Adebisi, 2006). Proper planning must put in place to ensure that the business environment is conducive enough and ready to put the organization to the best position in the market place. Any business that is not aware of its environment is bound to run into some crises that will definitely arise from the increasing complexity of the environment in which such business operates.

Adebisi (2006), pointed out that most managers feel that in today's turbulent business environment the best scanning style is continuous scanning using PEST analysis because this allows the firm to act quickly, take advantage of opportunities before competitors do and respond to environmental threats before significant damage is done, this will allow the organization to survive, sustain the environment hardship. As a way of managing organization strategies, the managers have to keep abreast of everything about his environment (internal and external) for the purpose of achieving the organization goals and objectives. It is the fundamental decision about the future direction of an organization, its purpose, its resources and how it interacts with the world in which it operates (the environment of the organization).

In line with the above paragraphs, the researcher believes that it is important to conduct environmental scanning. Environmental scanning is the process of dealing with the measurement, projection and evaluation of changes in the different environment variables (Oladele 2006).

Most of the organizations today are developing different types of strategies that will sustain them in their business environment, and this can only be achieved through the analysis of the environment (opportunities and threats). Oladele (2006) stated some importance to environmental scanning as follows; ‘the environment is dynamic in nature, therefore scanning is necessary to keep abreast of change, it reveals the elements or factors that constitute threats and opportunity to the overall objectives of the organization, and that competitor’s activities can be monitored and appropriate strategies put in place to check market incursion. Also, environmental scanning gives necessary inputs to the formulation and implementation of potential marketing strategies.

Furthermore, to be competitive, companies can also enter into strategic alliances. According to Kotler (2004) strategic alliances are cooperative agreements between organizations that allow them to benefit from each other’s strengths.

## **2.5 Competitive Advantage**

Companies are mainly focused on how to gain competitive advantage. Competitive advantage is concerned with how to compete successfully in each of the lines of business the company has chosen to engage in. The central thrust is how to build and improve the company’s competitive position for each of its lines of business. A company has competitive advantage whenever it can attract customers and defend against competitive forces better than its rivals. Companies want to develop competitive advantages that have some sustainability (although the typical term ‘sustainable competitive advantage’ is usually only true dynamically, as a firm works to continue it). Successful competitive strategies usually involve building uniquely strong or distinctive competencies in one or several areas crucial to success and using them to maintain a competitive edge over rivals. Some examples of distinctive competencies are superior technology and/or product features, better manufacturing technology and skills, superior sales and distribution capabilities, and better customer service and convenience (Mitchell 2005). In line with this development, banks can use internet, together with other strategies as a way of ensuring competitive advantage.

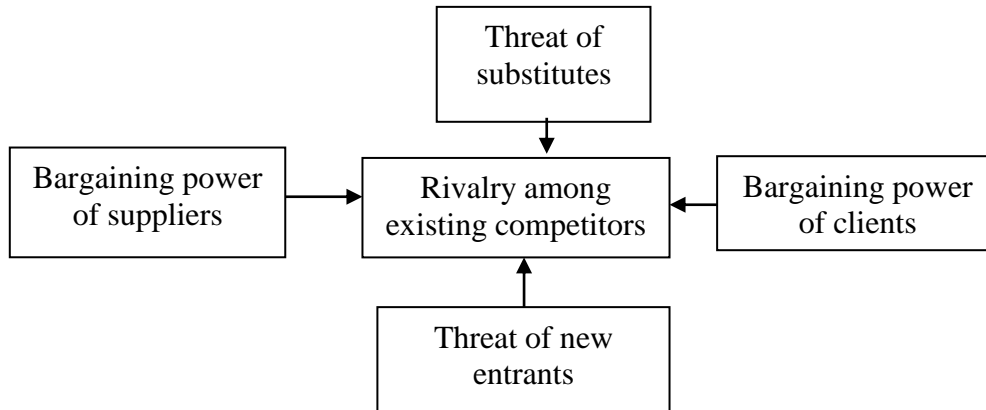
Competitive advantage or strategy is about being different. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value (Porter: 1985). The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones the company possesses today (Hamel & Prahalad, 2000).

According to Lamikanra (2013), a company's ability to attract and retain new customers, is not only related to its products or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the market (Grant, 2008). Also, Johnson and Scholes (2010) agitated that customer retention is more than giving the customer what they expect, it is about exceeding their expectations so that they become loyal advocates for a company's brand.

Consequently, most organizations find it difficult to retain customers and there are a number of factors that lead to decline in customers. Flack (2010) argued that they include changes in needs of the customer, changes in customer's value perception of products and services, new substitutes or increasing performance of existing substitutes, new competitors, and increasing performance of existing competitors. These factors are explained through reference to Porter's five forces model.

Porter (1985) identified five forces that are widely used to assess the nature of competition and structure of any industry and for gaining competitive advantage. Porter's five forces are the bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitutes, and rivalry among competitors. Kotler (2004) pointed out that the strength of the five forces determines the profit potential in an industry by influencing the prices, costs, and required investments of businesses, the elements of return on investment. Stronger forces are associated with a more challenging business environment. These factors are shown in figure 2.2.

**Figure 2.2: Porter's Five Forces Affecting Strategy**



**Source: Porter (1985:75)**

New entrants usually bring new capacity and competition for customers and resources. This is a threat to existing businesses in the industry. The threat of entry depends on presence of entry barriers. Entry barriers make it difficult for another business to enter the industry. Examples of these barriers include economics of scale and capital requirements (Porter, 1985). In Zimbabwean banking sector, there have been a number of new entrants during the past decade, like Tetrad Bank, Steward Bank, Capital Bank, and Ecobank.

Substitute products are products that appear to be different but can satisfy the same need as another product. Mobile money transfer (MMT) systems seem to be potential substitutes for bank products. When switching costs are low, substitutes can place a price ceiling on products (Grant, 2008).

Bargaining power of suppliers affects their ability to raise prices. Suppliers are likely to be powerful if they are few in number and their products or services are unique (Perry, 2008). Bargaining power of buyers affects the industry through their ability to force down prices, bargain for higher quality or more services, and play competitors against each other. Buyers are likely to have power if a buyer purchases a large part of the seller's product, if alternative suppliers are plentiful because the product is undifferentiated, if the buyer earns low profits and is sensitive to cost differences, and if the purchased product is unimportant to the final quality or price of a buyer's product (Porter, 1985).



Rivalry among existing firms is the amount of direct competition in an industry. Industries that have intense competition are characterized by competitors that are roughly equal in size, slow rates of industry growth, the production of commodities, high fixed costs, and high exit barriers arising from investments in specialized equipment (Grant, 2008). When looking at Porter's five forces with reference to banks in Zimbabwe, it seems as if buyers have more bargaining power and there is rivalry among existing firms. Buyers have access to a myriad of banking products, including MMT services. Also, it is alleged that Zimbabwe is overbanked, with the number of financial institutions being bigger than the size of the economy.

Banks in Zimbabwe seem to be losing competitive advantage. There is decline in customer base and one of the factors leading to decline in clients is lack of effectiveness in marketing strategy implementation. Jooste and Fourie (2009) pointed out that strategy implementation is an important component of the marketing strategy process. The ability to implement a strategy is considerably more important than marketing strategy formulation. Strategy implementation, rather than strategy formulation, is the key to superior organisational performance. Implementing strategy has always been a challenge for organisations. The ability to implement strategy is the deciding factor between success and failure of a company's strategy (Jooste and Fourie, 2009).

Execution is critical to success and it represents a disciplined process or a logical set of connected activities that enables an organisation to take a strategy and make it work. Without a careful, planned approach to execution, strategic goals cannot be attained. Developing such a logical approach, however, represents a formidable challenge to management. A host of factors, including politics, inertia, and resistance to change, routinely can get in the way of successful execution (Perry, 2008).

Strategy implementation does not always end in success. Johnson and Scholes (2010) assert that strategy implementation is one of the vital components of the strategic management process. It is viewed as the process that turns the formulated strategy into a series of actions that enables the vision, mission, and strategic objectives of an organisation to be achieved as planned. Despite the crucial role played by strategic management process in ensuring organisational success, strategy implementation still remains a challenge in most organisations (Phillips, 2003).

According to Perry (2008), strategy implementation is a tougher and more time-consuming management challenge than crafting strategy. Grant (2008) contends that strategy implementation is the most problematic aspect of strategic management compared to strategy formulation. It is the poor implementation of strategies that accounts for high failure rate of organisational initiatives in a dynamic business environment. A number of barriers to strategy implementation were sighted by Hrebiniak (2006), Perry (2008), and by O'Reilly, Caldwell, Chatman, Lapid, and Self (2009). These are leadership, market and competition, and resource shortages.

Perry (2008) argues that lack of leadership, and specifically strategic leadership by the top management of the organisation, has been identified as one of the major barriers to effective strategy implementation. If leaders lack foresight, do not encourage staff participation, and they do not facilitate effective communication, strategy implementation would be difficult (Rioux and Bernthal, 2006).

In addition, Hrebiniak (2006) found that lack of effective communication was rated as the critical barriers to strategy implementation. Strategic planning is linked to strategy implementation through four processes namely: communication, interpretation, adoption and action. Strategy implementation is a long drawn out process, and so in order to sustain the interest and enthusiasm of managers and leaders alike it is absolutely essential that strategic plans have short term wins built in them.

These milestones not only specify standards of performance but help in keeping managers focused on the results (Saslow, 2004).

Strategic planning may be the prerogative of upper levels of management, but implementation percolates down to front level managers responsible to carry out operations efficiently, influencing the experience of customers, or carrying out improvements which are important in the long run. Hence communication and role clarity are of paramount importance in effective strategy implementation (O'Reilly et. al., 2009). According to Salob and Greenslade (2005), communication is very important as implementation involves many more people working for seemingly unrelated processes but with the same end goal. Strategy deployment is generally seen as a function of processes and structures but the fact is that it is as much a function of voluntary involvement and spirit of the people in the organisation. It is this aspect of strategy deployment that differentiates two companies pursuing similar strategy. Spirit of the people is something that cannot be imitated by the competitors and is a decisive factor between success and failure of execution (Saslow, 2004).

Some strategies also fail because not enough resources are allocated to successfully implement them. Lack of resources is generally a bigger threat to capital intensive marketing strategies (Perry, 2008). Another problem in strategy implementation is inadequate realignment of company resources with the new strategy. Old habits die hard, for example, the sales team might concentrate on customers that have been historically important. Strategy might, however, require considerable investment in emerging groups of customers. Fundamental questions must be asked about how to successfully 'break with the old' (O'Reilly et al., 2009).

## **2.6 Possible Areas for Collaboration between Mobile Money Transfer Service Providers and Banks**

MMT services are a relatively new phenomenon and there is still a ‘tug of war’ between banks and mobile telephone operators on how to collaborate. For example, the relationship between Econet Wireless and Banks in Zimbabwe is not ‘rosy’ with Econet being accused of arrogance. Therefore, this study shall solicit information on possible areas for collaboration. Nevertheless, some of the possible recommendations to banks regarding mobile payments include making sure that they ‘play to their strengths’. Banks need to respond to an obvious customer demand, use technologies that satisfy that need, and decide based on a clear business case. Also, banks need to use mobile payments to bring customers closer to their institutions.

The researcher believes that, for many banks the competitive and fast evolving business landscape creates doubt. They wonder what to do: just stand by and watch or respond more pro-actively? The researcher sees three strategic areas of opportunity and actions for banks to use the mobile phone to forge closer relationships with their customers in a new ‘experience banking model, 1) mobile banking using a mobile phone to access a bank account and make payments; 2) mobile commerce using a mobile phone to buy products, and 3) mobile money transfers using a mobile phone to send money to someone. Banks should actively expand their mobile banking offering, which today is often still underdeveloped particularly toward corporate sector. A unique value proposition can turn mobile banking into a cost saving (instead of contacting a call centre) and revenue generating channel (increase loyalty, target marketing to cross-sell core banking services). This means banks should invest more in resources for improving service quality.

## **2.7 Summary**

This chapter presented literature review. Focus was on the emergence of MMT services in Africa and influence of MMT on banks' market. There was also a review of literature on strategies in response to competition, competitive advantage and on how to ensure collaboration between MMT service providers and banks. The next chapter presents research methodology.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter looks at the methods used in collecting and analysing data. It describes the philosophical framework, researcher's adopted design, the population and sample used, instruments employed, and data collection procedures, validity and reliability, and the data presentation and analysis procedures.

#### **3.2 Research Philosophy**

There are basically two views to the research process that dominate literature, namely positivism (quantitative) and phenomenology (qualitative). This study applied both quantitative and qualitative approaches. Looking at the same problem from a number of viewpoints was an excellent way to verify interpretation and conclusions. It was in view of this fact that the researcher used the triangular approach, which is a combination of both philosophies and made use of both qualitative and quantitative data.

#### **3.3 Research Design**

This study was a survey. According to Henning (2004:5), "surveys are means of gathering information that describe the nature and the extent of a specified count of frequencies, to attitudes and opinion". A survey design is a method of gathering data from a number of individuals. A sample of participants is 'selected' from the population. The survey enabled the researcher to collect first hand information relating to the strategies employed by commercial banks in Zimbabwe in response to EcoCash.

### **3.4 Research Population**

Population is the exhaustive list of all the elements or items or objects under study or investigation. Sekaran (2000:43) defined a population as “the entire group of people, events or things of interest that the researcher wishes to investigate”. The study population was comprised of employees and managers in 16 commercial banks and Reserve Bank of Zimbabwe (RBZ). Information was also collected from Bankers Association of Zimbabwe (BAZ).

### **3.5 Sampling Design**

A sample design is a definite plan for obtaining a sample from a given population (Kothari, 2004). In this study, the researcher used a mixture of probability and non probability sampling techniques. The researcher used stratified sampling when dividing the population into two, groups, commercial banks and RBZ. Each institution provided five participants who were selected through use of researcher’s judgment. For commercial banks information was collected from management at head offices in Harare. Data from RBZ was collected from management in the bank licensing, supervision and surveillance division. Five participants were also selected from BAZ. The sample size was 90 participants, five from each institution.

### **3.6 Research Instruments**

Research instruments are tools used for collecting data needed to find solutions to the issues under investigation. The researcher used the self-administered questionnaires and structured interviews as research instruments. The questionnaires and the interviews are essentially the same except for the method of questioning. Questionnaires are answered in writing whereas interviews are usually conducted orally. The researcher made sure that the respondents were guaranteed the confidentiality of the information to be elicited.

### **3.6.1 Self-Administered Questionnaires**

The researcher used a questionnaire as the main research instrument. A questionnaire is a list of carefully structured questions chosen for considerable testing with a view to elicit reliable responses from a chosen sample. The use of the questionnaire to collect data from participants allowed them to respond to questions at their own time. Also, the researcher made use of questionnaires because they were simple, easy to administer and allowed for easy analysis. More so, the researcher was given the ability to collect large volumes of data. Participants were also free to give information as they remained anonymous. In addition, since the questionnaire provided written information, there was less danger of misrepresentation of facts or information (Kothari, 2004).

In addition, the researcher took both pre and post control measures for dealing with disadvantages of using questionnaires. Pre-control measures included making sure that all questions were concise and clear to avoid any misinterpretations. Most questions in the questionnaire were closed questions and participants were required to select alternative from a list of possible answers. There were also some open questions that allowed participants to provide detailed responses. More so, participants were informed that the research was an academic exercise and that names were not going to be divulged and this helped ensuring that questions were answered without any fear. Use of secondary data was the post-control measure used by researcher. Appendix I shows the questionnaire to participants.

### **3.6.2 Structured Interviews**

The researcher interviewed to reinforce finding from questionnaires. Interviews were used to solicit primary data responses through direct questioning. Conducting interviews resulted in the researcher getting sensitive data and further probing was achieved. Appendix II shows the interview guide.



A number of advantages were derived from the use of interviews. Firstly, the researcher was able to adapt the questions as necessary, clarify doubts, and ensure that the respondents properly understood the questions. Another advantage was that the researcher picked non-verbal cues from respondents. For instance, any discomfort, stress, or problems that the respondents experienced were detected through frowns on the face, nervous tapping, and other body language unconsciously exhibited by the respondents (Saunders et al, 2012). The researcher made use of two research assistants and they helped in conducting interviews. In addition, participants were assured that their names were not going to be divulged and that the study was an academic exercise.

### **3.7 Validity and Reliability of Research Instruments**

#### **3.7.1 Validity**

Validity is about the truthfulness of research results. There are ways in which validity can be determined and these are content validity and construct validity (Saunders et al, 2012). Content validity focused on ascertaining whether research instruments contained enough questions to cover the purpose of study. The researcher ensured content validity by making sure that research questions and all the identified gaps in literature review were well covered. Piloting the questionnaire helped to ensure that all potential questions were asked in the instruments. The instruments were tested at Stanbic Samora Machel Branch, Harare.

Construct validity focused on the construction of questions in the questionnaire. The researcher made sure that all questions were concise and clear. In addition, there was use of closed questions that made it easier for participants to complete questionnaires. The supervisor helped the researcher to ensure construct validity. The supervisor made recommendations on how questions were to be structure, for example, he pointed the need to vary the way in which questions were asked.

### **3.7.2 Reliability**

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials (Saunders et al, 2012). Reliability of the instrument was difficult to establish because the questionnaire contained questions whose answers could be subjective. Therefore, repeated trials may not yield the same results.

### **3.8 Ethical Considerations**

Ethics define the right and wrong conduct in research. According to Saunders et al (2012), ethics of research include informed consent, confidentiality, protection of privacy, protection against harm, and protection against identity. Ethical considerations were observed when participants were informed about the study and consent was sought. Participants were also told not to write their names on questionnaires and this ensured anonymity. In addition, participants were informed that data collected was to be used for academic purposes only and that the information collected would be treated as confidential.

### **3.9 Data Analysis and Presentation Procedures**

Data analysis is a pivotal part of the research process, to arrive at findings. Quantitative was analysed using the Statistical Package for Social Sciences (SPSS) version 19. SPSS is a software package used in data analysis and is a menu-driven system that allows for in-depth data access and preparation, analytical reporting and modelling (Saunders et al, 2012). Qualitative data analysis was conducted using content analysis. Ritchie and Lewis (2003) argue that qualitative content analysis involves a process designed to condense raw data into categories or themes based on valid inference and interpretation. The researcher made use of manual data coding system.

### **3.10 Summary**

This chapter looked at research methodology and provided details on research design, subjects, research instruments, and data collection procedures. Focus was also on research ethics, validity and reliability, and data analysis and presentation procedures. The next chapter looks at data presentation and analysis and findings are illustrated through use of tables and figures.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.1 Introduction

This chapter focuses on data presentation, analysis, and discussion. The findings were based on information collected through questionnaires and interviews. Figures and tables were used to illustrate the research findings.

#### 4.2 Response Rate and Demographic Characteristics of Participants

The researcher obtained a good response from participants. Table 4.1 illustrates the response rate.

**Table 4.1: Response Rate**

Category of Participants	Sample Target	Response	Response Rate
Bank Managers	80	75	94%
RBZ	5	5	100%
BAZ	5	5	100%
<b>Total</b>	<b>90</b>	<b>85</b>	<b>94%</b>

**Source: Survey Results (2014)**

Table 4.1 shows that a response rate of 94% was obtained from participants. The response rate was well above 67% that is recommended by Saunders et al (2009).

Participants were asked to indicate their gender. Table 4.2 shows gender of participants.

**Table 4.2: Gender of Participants**

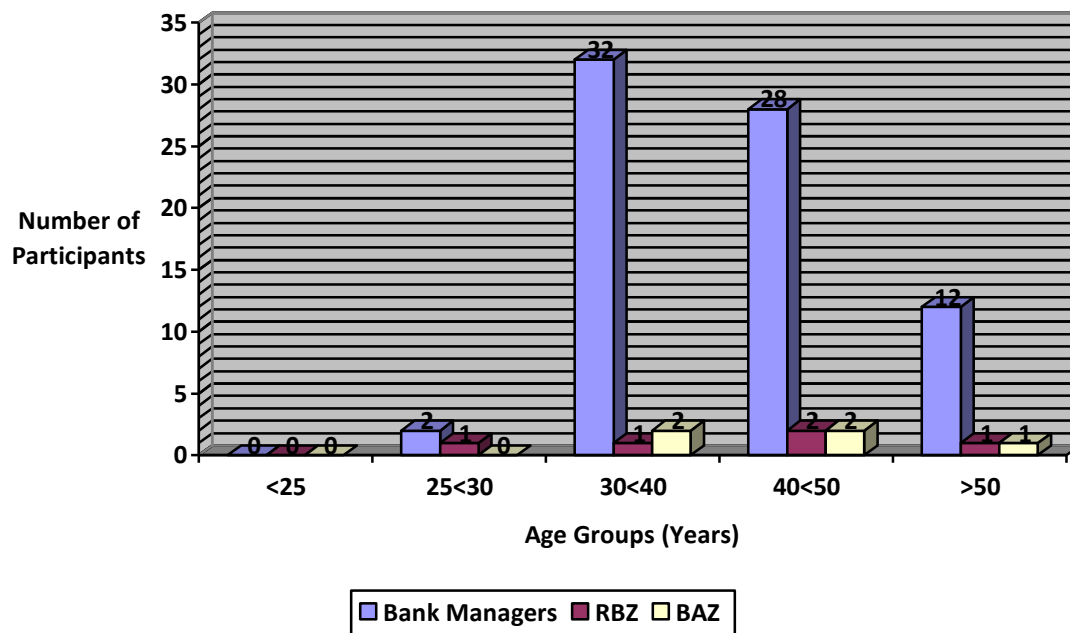
Category of Participants	Male	Female	Total
Bank Managers	40	35	75
RBZ	4	1	5
BAZ	3	2	5
<b>Total</b>	<b>47</b>	<b>38</b>	<b>85</b>

Source: Survey Results (2014)

Table 4.2 shows that there was male domination in the study. Out of 85 participants, 47 (55%) were males while 38 (45%) were females. This shows that findings in this study were mainly views of males and that there seemed to be gender discrimination against women in the study.

Another demographic characteristic that the researcher solicited about was age. Figure 4.2 shows findings on age.

**Figure 4.1: Age of Participants**



Source: Survey Results (2014)

Figure 4.1 shows that 82 participants were above the age of 25 years. Therefore, 96% of participants were mature people and were in a position to provide reliable information. Participants were asked to indicate their tenure of employment in the banking sector. Table 4.3 shows findings on tenure of employment.

**Table 4.3: Tenure of Employment in the Banking Sector**

Category of Participants	Tenure (Years)				Total
	<2	2<5	5<10	>15	
Bank Managers	0	0	50	25	<b>75</b>
RBZ	0	0	2	3	<b>5</b>
BAZ	0	0	0	5	<b>5</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>33</b>	<b>85</b>

**Source: Survey Results (2014)**

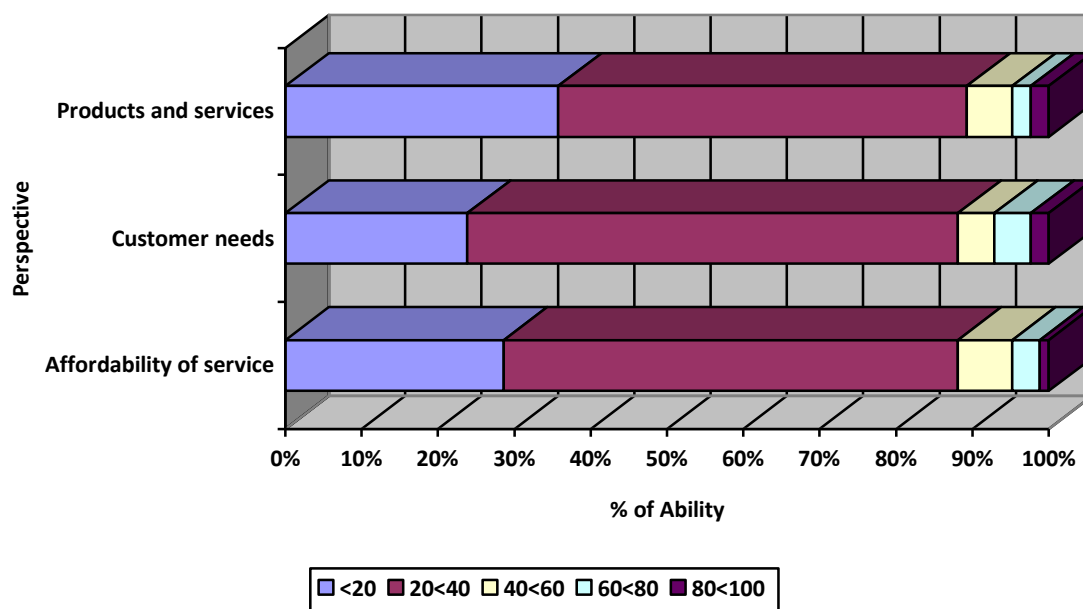
From table 4.3, it can be seen that none of the participants had tenure of employment less than five years. The data table 4.3 shows that all the 85 participants had been employed in the banking sector for a period long enough for them to appreciate the nature of competition in the banking sector in Zimbabwe and the sources of competitive advantage.

### **4.3 Reasons for the rise of EcoCash**

All the 85 participants were aware of the reasons for emergence of EcoCash. It was pointed out that Econet Wireless took a cue from MMT payment systems like Mpesa in Kenya that had huge impacts in financial inclusion. The finding is also in line with Lawark (2013) who pointed out that MMT could be an effective strategy for financial inclusion. Also, according to Mapakame (2013), 11.2 million Zimbabweans were without formal banking services. Given that the economy is largely informal, with small and medium sized enterprises (SMEs) constituting the majority of industries, the market form financial institutions have shifted from being formal to informal and banks seem to have failed to adjust to the social changes. Absence of financial inclusion created an opportunity for EcoCash services.

In addition, EcoCash was successful because commercial banks were not able to meet the expectations of clients. Figure 4.2 shows findings on commercial banks' ability to meet clients' needs.

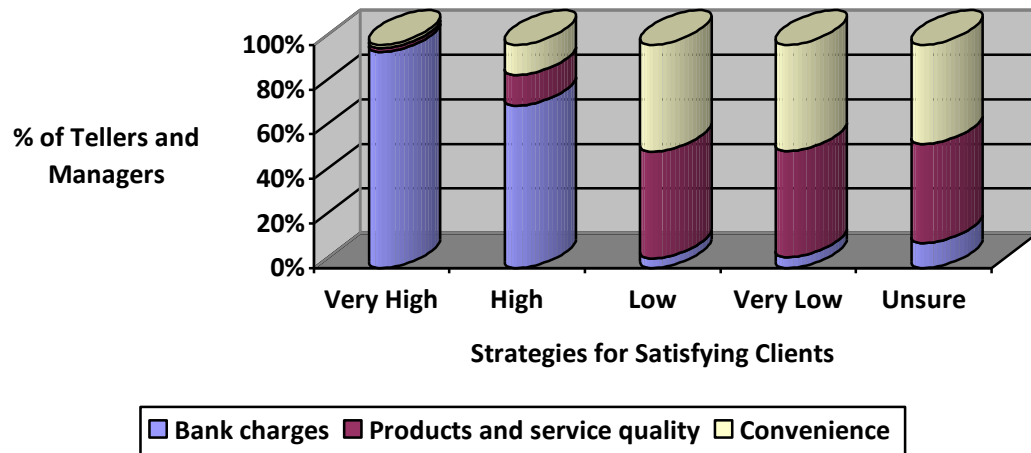
**Figure 4.2: Commercial Banks' Ability to Meet Clients' Needs**



**Source: Survey Results (2014)**

The data in figure 4.2 showed that 74 participants (87%) pointed out that commercial banks were not providing affordable service to clients. Therefore, there was low ability to meet the needs of clients. Participants were also asked to comment about level of client satisfaction in commercial banks. The findings are shown in figure 4.3.

**Figure 4.3: Comments on Level of Client Satisfaction**



**Source: Survey Results (2014)**

Figure 4.3 shows that banks charges in commercial banks were said to be very high and this seemed to have pushed clients towards EcoCash. The high bank charges were not complemented by service delivery as products and services were said to be of low quality and there was no convenience. Therefore, customer satisfaction level was low and clients were not happy. The researcher believes that it is vital for an organisation to be able to meet the expectations of clients. The heart of the satisfaction process is the comparison of what was expected with the product or service's performance. First, customers would form expectations prior to purchasing a product or service. Second, consumption of or experience with the product or service produces a level of perceived quality that is influenced by expectations. If perceived performance is only slightly less than expected performance, assimilation will occur, perceived performance will be adjusted upward to equal expectations. If perceived performance lags expectations substantially, contrast will occur, and the shortfall in the perceived performance will be exaggerated. Satisfaction can be determined by subjective (e.g. customer needs, emotions) and objective factors (e.g. product and service features).



In addition, the study solicited information about transactions and payments systems. The findings are in table 4.4.

**Table 4.4: Transactions and Payments Systems**

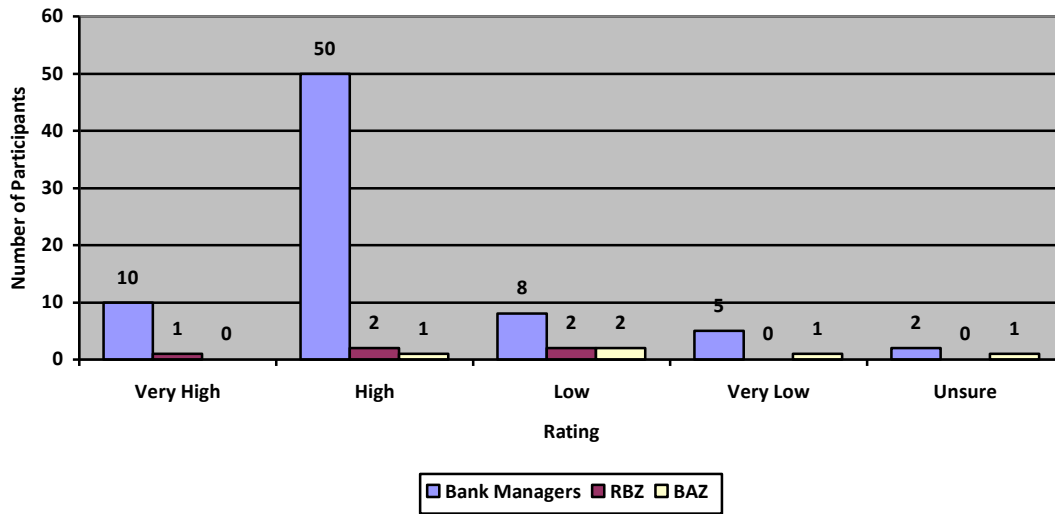
Description	Responses					Total number of participants
	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	
There is convenience when making transactions	4	10	60	8	3	85
There is use of electronic payment system	0	5	79	1	0	85
Service delivery time is short	4	10	60	8	3	85

**Source: Survey Results (2014)**

Table 4.4 shows that transactions and payments systems were not ‘user friendly’ for clients. It was held that electronic payment systems, like internet banking were not used, a view supported by 71 participants (84%).

The study also sought opinions about affordability of bank charges. Figure 4.4 illustrate the findings.

**Figure 4.4: Findings on Bank Charges**

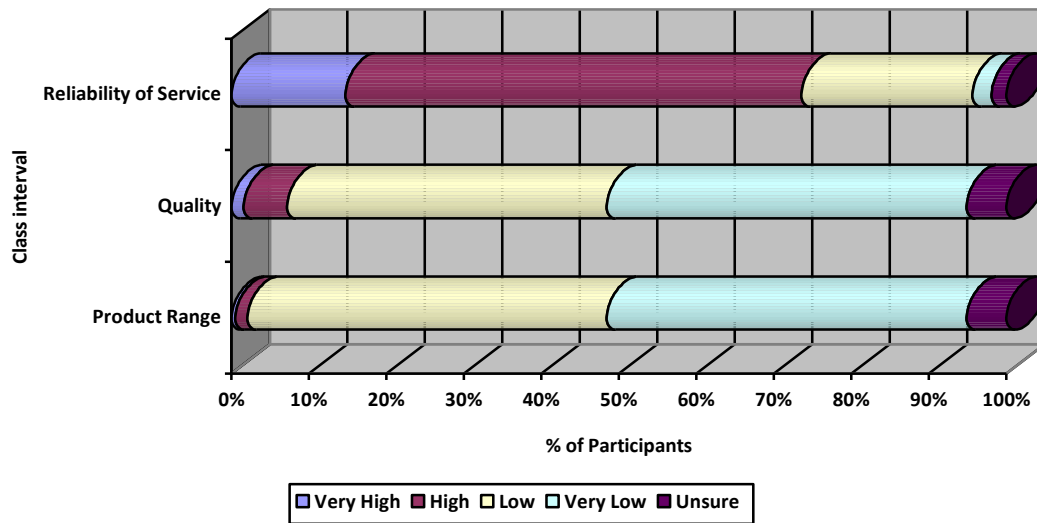


**Source: Survey Results (2014)**

From figure 4.4, 60 bank managers (80%) acknowledged that bank charges were high, a view also shared by three (60%) of RBZ officials. Therefore, clients seemed not to be affording commercial banks’ services and opted for MMT transactions. These findings concur with Njanike (2010) who argued that low income levels on the part of depositors coupled with user fees that are viewed to be too high by clients, and absence of efficient Information Communication Technology (ICT) resulted in MMT services taking most of commercial banks’ market. ICT has resulted in improved efficiency in the global financial system. However in most developing economies ICT lacks the necessary infrastructure to support it. This keeps the service quality low and depresses the rate of return on investments in the banking sector (Njanike, 2010).

Participants were also required to comment about the nature of commercial banks’ products and services. Figure 4.5 shows the findings.

**Figure 4.5: Nature of Bank Products and Services**



**Source: Survey Results (2014)**

Figure 4.5 shows that product range in commercial banks was low and quality was also not acceptable. Nevertheless, reliability was better because 63 participants (74%) said reliability of service was high.

The findings in table 4.4 and figures 4.2 to 4.5 showed that there is a gap between expectations of clients and the actual service in commercial banks in Zimbabwe. These were in line with Parasuraman, et al (2001) who noted that while the precise determinants of quality were undefined, universally its importance has been accepted. The perceived quality is largely determined by the gap between customers’ expectations of service and perceptions of the actual experience. A customer assesses service quality by comparing what they want to what they actually get or perceive they are getting. Therefore, clients were ‘forced’ to consider MMT services.

#### 4.4 Influence of EcoCash on Commercial Banks' Market

The study showed that EcoCash had a negative impact on the market of commercial banks. There has been stagnation in growth of deposits and number of clients. At the same time, Econet Wireless was arguing that their EcoCash save accounts exceed total commercial bank accounts in Zimbabwe. All 85 participants (100%) said that commercial banks were facing a myriad of challenges in retaining clients. Data for one commercial bank showed that, in 2013, there were 2184 clients who closed their accounts against 1988 new accounts (Table 4.5).

**Table 4.5: Number of Accounts Opened and closed in 2013 (Data from one bank)**

<b>Month</b>	<b>Number of Accounts Opened</b>	<b>Number of Accounts Closed</b>
January	200	300
February	300	321
March	50	206
April	100	189
May	150	156
June	125	196
July	175	200
August	190	149
September	200	185
October	210	136
November	185	79
December	103	67
<b>Total</b>	<b>1 988</b>	<b>2 184</b>

**Source: Survey Results (2014)**

From table 4.5, it is clear that some commercial banks were having serious challenges in retaining clients. It also vital to note that the number of accounts closed in 2013, according to this study was higher than new accounts opened. What is crucial in the current financial sector is to ensure that the high value services at low cost are conveniently extended to the client.

In this case, service providers that provide or offer relative advantages in terms of accessibility, convenience, speed, privacy and cost-effectiveness are assured of the ready market. This point of view is consistent with Morawczynski et al. (2009) who argue that customers use financial services that they find convenient, reliable and affordable. Owing to the above findings, it is fairly enough to make a tentative conclusion that mobile commerce has contributed to the liquidity crisis of Zimbabwean commercial banks.

The findings in this study agreed with Levlin (2013) that MMT services have brought competition to banks and they are one of the causes for decline commercial banks' deposits. EcoCash altered Zimbabwe's financial landscape and threatened the sustainability of banks. Along similar lines, Samolyk (2008) pointed out that the increased competition from non-bank financial firms reflects a diminishing need for banks.

In addition, one of the causes of the challenges was lack of effectiveness in strategy implementation, especially, human resources strategies. The findings were in line with Jooste and Fourie (2009) who pointed out that strategy implementation is an important component of the marketing strategy process. The ability to implement a strategy is considerably more important than marketing strategy formulation. Strategy implementation, rather than strategy formulation, is the key to superior organisational performance. Implementing strategy has always been a challenge for organisations. The ability to implement strategy is the deciding factor between success and failure of a company's strategy (Jooste and Fourie, 2009).

In addition, it was held that some commercial banks were not proactive and failed to take advantage of their alliance with EcoCash to explore the rural and informal markets. This revelation was in line with Mapakame (2013) that banks seemed to be neglecting the informal and rural sectors, where the unbanked market is in abundance and 11.2 million Zimbabweans were without formal banking services.

Given that the economy is largely informal, with small and medium sized enterprises (SMEs) constituting the majority of industries, the market form financial institutions have shifted from being formal to informal and banks seem to have failed to adjust to the social changes.

#### 4.5 Strategies in Response to EcoCash

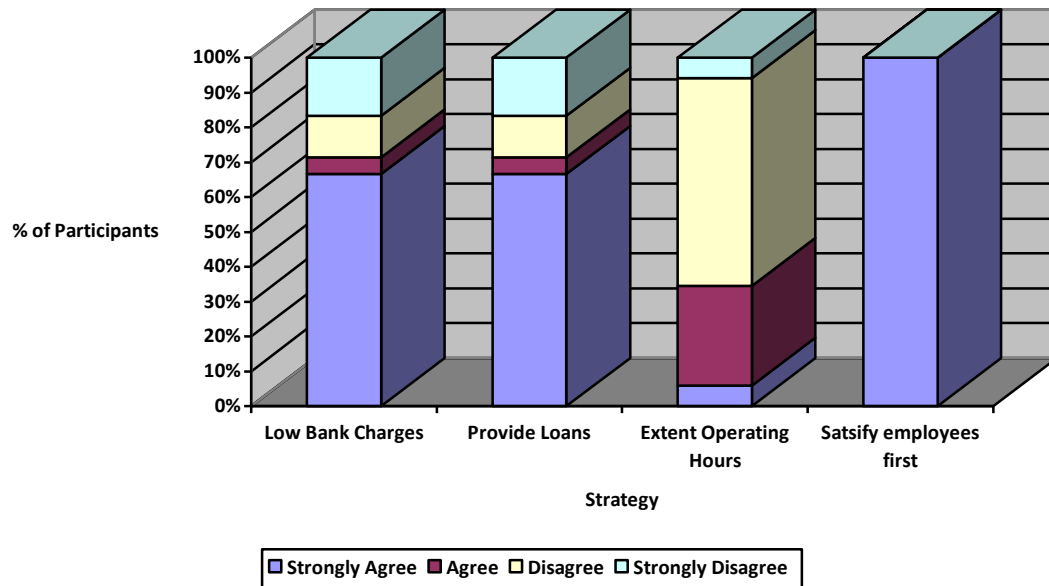
The study revealed that commercial banks responded to EcoCash through relaxing conditions for opening of new accounts. Also, some banks removed ledger fees from savings accounts. In addition, banks resumed giving loans, based on salaries, especially to civil servants. Table 4.6 and figure 4.6 show findings on the possible strategies for retaining clients and responding to EcoCash.

**Table 4.6: Possible Strategies for Retaining Clients**

Strategy	Responses					Total of Participants
	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	
Lower bank charges	56	5	10	14	0	85
Provide loans to clients	56	4	11	14	0	85
Extend operating hours	5	25	50	5	0	85
Satisfy employees first	84	1	0	0	0	85

**Source: Survey Results (2014)**

**Figure 4.6: Possible Strategies for Retaining Clients**



**Source: Survey Results (2014)**

Figure 4.6 showed that commercial banks needed to satisfy employees. All 85 participants (100%) strongly agreed that there was need to satisfy internal customers first. The findings were in line with Chin (2010) who agitated that other key excellence indicators for customer satisfaction are a resolution by management to empower frontline employees, strategic infrastructure support for frontline employees and attention to hiring, training, attitude and morale for frontline employees. These activities will help employees relate to customers in highly professional manners and also provide services/products that will satisfy their requirements. While the researcher agrees to some extent with the propositions of Chin (2010), frontline employee empowerment and other issues raised are not in themselves sufficient conditions to providing focus and satisfaction to the customer. Proactive customer service systems, proactive management of relationships with customers, and the use of all suggestion systems, surveys, product/service follow ups complaints, turnover of customers and employees, should also be adopted as key excellence indicators for customer satisfaction.

Moreover, findings from interviews showed that commercial banks in Zimbabwe needed to employ a mixture of both defensive and offensive strategies. It was held that banks should be aware of the notion that '*competing in the marketplace is like war, there are injuries and casualties and the best strategy wins*'. The findings were in line with literature that there are two possible strategies that an organisation can adopt in order to fight competition. These are offensive and defensive strategies and according to Johnson and Scholes (2010), offensive strategies are rivalry in nature and are aimed at attacking competitors. On the other hand, defensive strategies are aimed at protecting an organisation's market share and embody retaining current customers. Moreover, Porter (1985) argued that a business needs to make two fundamental decisions in establishing its competitive advantage. Firstly, there is need to decide whether to compete primarily on cost, which is necessary to sustain competitive prices, or to compete through providing some distinctive points of differentiation that justify higher prices. Secondly, a decision on how broad a market target will aim at (its competitive scope) should be made. These two choices define the four generic competitive strategies which he argues cover the fundamental range of choices. These are, cost leadership strategy, differentiation, price focus, and differentiation focus strategy.

It has been established that what influences clients' savings/deposits is the level of proximity and cost effectiveness of a service. Currently, people are not willing to invest significant time and resources, including the cost of travel and lost earnings from leaving business untended, just to save or deposit a small amount of money in an account. Since it is costly for banks to take such services closer to the clients but mobile money providers can through their outlets, it is recommended that commercial banks should partner or enter into joint venture with mobile money operators. With such partnership, banks will have effective models to expand their physical reach into poor and rural areas. This arrangement will deliver the required level of proximity and low transaction costs, which are essential in increasing client deposits, a source of liquidity.

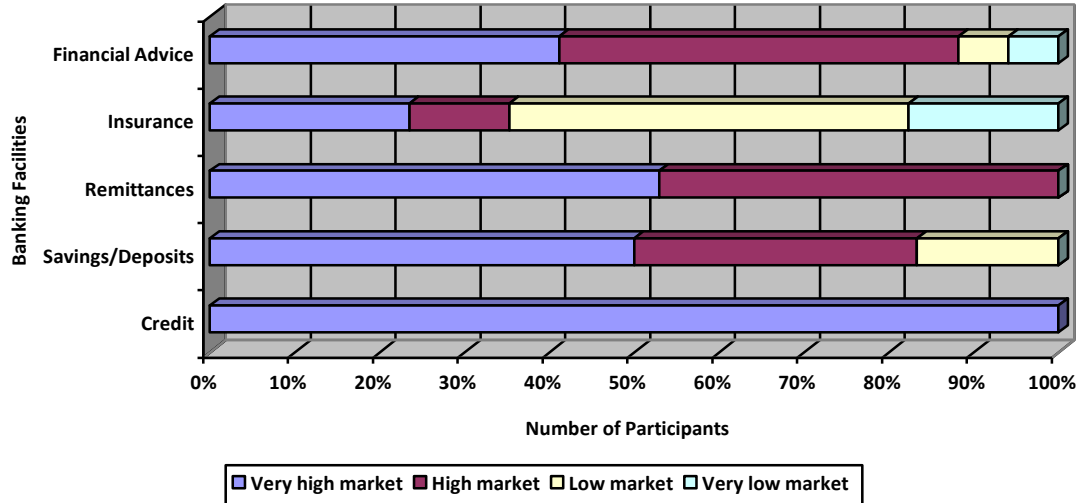


In this case, banks and mobile operators should endeavour to work together in order for both to enjoy economies of scale and scope. The most basic common bank-mobile operator partnership model is where the bank issues the mobile money account to a client. The account should help clients to send, receive and store money electronically using mobile money interface. Besides, where the accounts are held externally to the mobile money operator, the most prevalent model is for banks to use mobile money to receive funds from the public, whether as loan repayments or deposits, using a standard bill payment model. This move will enable banks to increase their liquidity through increased deposits. More so, commercial banks should take advantage of the products that are not provided by mobile operators. For example, credit or loan facilities and insurance services where banks have competitive advantage over mobile operators should be conveniently provided at a low cost to clients. It is hoped that this will build strong bond between the client and the bank which guarantees regular flow of cash in or cash out transaction.

#### **4.6 Sources of Competitive Advantage for Commercial Banks**

Participants pointed out that the financial markets are saddled with intense competition and it is very difficult to pin point the sources of competitive advantage. Nevertheless, by the time the study was conducted, companies were still to adopt EcoCash payroll and banks were still depending on salaries for deposits. When soliciting for information on banking facilities on offer, it was held that all banks largely offer savings and deposit facilities. Detailed findings on banking facilities are shown in figure 4.7.

**Figure 4.7: Banking Facilities on Offer**



**Source: Survey Results (2014)**

The study also showed that banks have the ability to process high value transactions, international payments. Participants argued that banks needed to develop competitive advantages that have some sustainability. This was in line with Mitchell (2005) who pointed out that successful competitive strategies usually involve building uniquely strong or distinctive competencies in one or several areas crucial to success and using them to maintain a competitive edge over rivals.

In addition, competitive advantage or strategy is about being different. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value (Porter, 1985). According to Lamikanra (2013), a company’s ability to attract and retain new customers, is not only related to its products or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the market (Grant, 2008).

Also, Johnson and Scholes (2010) agitated that customer retention is more than giving the customer what they expect; it is about exceeding their expectations so that they become loyal advocates for a company's brand.

Consequently, most organizations find it difficult to retain customers and there are a number of factors that lead to decline in customers. Flack (2010) argued that they include changes in needs of the customer, changes in customer's value perception of products and services, new substitutes or increasing performance of existing substitutes, new competitors, and increasing performance of existing competitors. These factors are explained with reference to the five forces model. When looking at Porter's five forces with reference to banks in Zimbabwe, it seems as if buyers have more bargaining power and there is rivalry among existing firms. Buyers have access to a myriad of banking products, including MMT services. Also, it is alleged that Zimbabwe is overbanked, with the number of financial institutions being bigger than the size of the economy.

Banks in Zimbabwe seem to be losing competitive advantage. There is decline in customer base and one of the factors leading to decline in clients is lack of effectiveness in marketing strategy implementation. Jooste and Fourie (2009) pointed out that strategy implementation is an important component of the marketing strategy process. The ability to implement a strategy is considerably more important than marketing strategy formulation. Strategy implementation, rather than strategy formulation, is the key to superior organisational performance. Implementing strategy has always been a challenge for organisations. The ability to implement strategy is the deciding factor between success and failure of a company's strategy (Jooste and Fourie, 2009).

#### **4.7 Possible areas for Collaboration between Commercial Banks and Econet Wireless**

Participants argued that commercial banks and Econet Wireless needed to establish strategic alliances and work together to facilitate financial inclusion in Zimbabwe. Some respondents also argued that there is need for joint research and development activities.

In addition, some of the possible recommendations to banks regarding mobile payments include making sure that they ‘play to their strengths’. Banks need to respond to an obvious customer demand, use technologies that satisfy that need, and decide based on a clear business case. Also, banks need to use mobile payments to bring customers closer to their institutions.

#### **4.8 Summary**

This chapter presented findings of study. It showed that commercial banks were failing to satisfy clients and this resulted in EcoCash being prominent. It was held that most customer needs were not met. EcoCash had a huge impact on commercial banks’ market and more clients were leaving banks than those opening new accounts. The next chapter presents summary, conclusions, and recommendations.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter concludes the research. The chapter presents the overall summary of the study, that is, an overview of research objectives, literature reviewed, research methodology, and major findings. Conclusions that are in line with research objectives are also provided. The chapter winds up by providing recommendations and suggestions for further study.

#### 5.2 Statement of Objectives

This study focused on the influence of EcoCash on commercial banks' strategies in Zimbabwe. The study was motivated by the fact that banks failed to ensure financial inclusion and to take advantage of unbanked market. This resulted in Econet seeing an opportunity and launched EcoCash. EcoCash has had a huge impact and its accounts exceed total bank accounts. Objectives of the study were to examine reasons for the emergence of EcoCash, to assess the influence of EcoCash on Zimbabwean banks' market, to explore strategies put in place by banks in light of entrance of EcoCash into the financial sector, to analyse sources of competitive advantage for Zimbabwean banks, and to propose a model that has collaborative synergies between EcoCash and the Zimbabwean banks. The study reviewed literature related to strategy, competitive advantage, the emergence of MMT services in Africa and influence of MMT on banks' market. The study population was comprised of employees and managers in 16 commercial banks, RBZ, and BAZ. The researcher used a mixture of probability and non probability sampling techniques. Self-administered questionnaires and structured interviews were used as research instruments. The study found out that EcoCash was prominent because commercial banks failed to exploit the unbanked informal market. EcoCash resulted in decline in bank deposits and clients closed their accounts.

Nevertheless, commercial banks have competitive advantage in terms of being able to process high value transactions, and facilitate international transactions. Section 5.3 provided the summary of findings.

### **5.3 Conclusions**

The study concludes for each research objective as follow;

#### **5.3.1 Reasons for the rise of EcoCash**

The study concluded that Econet Wireless took a cue from MMT payment systems like Mpesa in Kenya that had huge impacts in financial inclusion. In addition, EcoCash was successful because commercial banks were not able to meet the expectations of clients. Clients seemed not to be affording commercial banks' services and opted for MMT transactions.

#### **5.3.2 Influence of EcoCash on Commercial Banks' Market**

EcoCash had a negative impact on the market of commercial banks. There has been stagnation in growth of deposits and number of clients. At the same time, Econet Wireless was arguing that their EcoCash save accounts exceed total commercial bank accounts in Zimbabwe.

#### **5.3.3 Strategies in Response to EcoCash**

Commercial banks responded to EcoCash through relaxing conditions for opening of new accounts. Also, some banks removed ledger fees from savings accounts. In addition, banks resumed giving loans, based on salaries, especially to civil servants. It was also pointed out that commercial banks needed to satisfy employees (internal customers) first. Moreover, commercial banks in Zimbabwe needed to employ a mixture of both defensive and offensive strategies.

### **5.3.4 Sources of Competitive Advantage for Commercial Banks**

The study showed that the financial markets were saddled with intense competition and it is very difficult to pin point the sources of competitive advantage. Nevertheless, banks were still depending on salaries for deposits and had the ability to process high value transactions, international payments.

### **5.3.5 Possible areas for Collaboration between Commercial Banks and Econet Wireless**

The study showed commercial banks and Econet Wireless needed to establish strategic alliances and work together to facilitate financial inclusion in Zimbabwe. There was need for joint research and development activities. In addition, banks needed to make sure that they 'play to their strengths' and respond to an obvious customer demands, use technologies that satisfy that need, and decide based on a clear business case.

## **5.4 Recommendations**

The researcher came up with the following recommendations that he believed ensure competitive advantage in commercial banks.

### **5.4.1 Customer Satisfaction**

The study found out that customer satisfaction was low, and some of the reasons were to do with how clients were being served in banking halls. The study, therefore, recommended that there was need for commercial banks to ensure training of employees and to empower employees through participation in decision making. It was also important for the financial institution to ensure a high level of employee motivation. Motivation of employees would be starting point of ensuring customer satisfaction because human resources are sources of competitive advantage.

#### **5.4.2 Research and Development**

The study concluded that there was a gap between the expectations of clients and actual service delivery. The study recommended that commercial banks should invest in research and development and come up with new, unique products and research should be conducted so that banks are aware of expectations of clients. Products and services should be in line with customer expectations.

#### **5.4.3 Strategic Alliances**

It was held that banks were facing stiff competition from EcoCash. Therefore, banks needed to ensure that alliances signed with other companies are effective. For example, the bank could have fully exploited its partnership with EcoCash and ensure convenience to clients. New strategic alliances, for example with funeral assurance companies like Nyaradzo, could be sought.

#### **5.5 Suggestions for Further Study**

The researcher recommends that a study on effectiveness of commercial banks' human resources strategies be conducted. This was because of the fact that the researcher discovered, during the conduct of study, that human resources are sources of competitive advantage for any company. Therefore, having effective human resource management practices would ensure customer satisfaction and commercial banks would be able to retain clients.



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## APPENDIX I

### QUESTIONNAIRE

My name is Joshua Nyamuzihwa, student studying towards attainment of an Executive Master of Business Administration Degree (EMBA) with Midlands State University. As a partial fulfilment of the requirements of the EMBA programme, I am conducting a study on the influence of EcoCash on Zimbabwean Commercial Banks' Strategies. I would like you to help me with answers to questions in this questionnaire. I would like to assure you that the information you supply shall be treated as confidential. There is no need for you to provide your name and contact details. Also, you are not being forced to participate in this study and you are free to withdraw your participation any time.

#### Section 1: Personal Details

1.1 Gender      1. Male                       2. Female

1.2 Occupation .....

1.3 Age (years)      1. <25                       2. 25<30                       3. 35<40   
4. 40>50                       5. >50

1.4 Qualifications      1. A' Level                       2. Diploma   
3. Degree                       4. Post Grad

5. Other (specify) .....

1.5 Number of years in the banking sector      1. <2                       2. 2<5   
3. 5<10                       4. 10<15                       5. >15

**Section 2: Reasons for the rise of EcoCash**

2.1 Are you aware of the reasons that resulted in EcoCash being popular?

1. Yes                       2. No                       3. Unsure

Any additional comments.....  
 .....  
 .....

2.2 EcoCash was successful because commercial banks were not able to meet the expectations of clients

Perspective	Responses				
	1. Strongly Agree	2. Agree	3. Disagree	4. Strongly Disagree	5. Unsure
Banks services were not affordable					
Banks were not reaching all potential clients					
Banks had stringent requirements for opening of accounts					
Banks were too rigid in their operations					

Any additional comments on answer.....  
 .....

2.3 What can you say about the current banks charges?

1. Very High    2. High    3. Low    4. Very Low    5. Unsure

Reason for answer.....  
 .....

2.4 What is your opinion relating to service quality and convenience in commercial banks?

	<b>1. Very High</b>	<b>2.High</b>	<b>3.Low</b>	<b>4.Very Low</b>	<b>5.Unsure</b>
Products and service quality					
Convenience					
Product's ability to meet client's needs					
Affordability					

Any comment on answer.....  
 .....

**Section 3: Influence of EcoCash on Commercial Banks' Market**

3.1 Give comments on the effect of EcoCash on the market of commercial banks

	<b>1.Strongly Agree</b>	<b>2.Agree</b>	<b>3.Disagree</b>	<b>4.Strongly Disagree</b>	<b>5.Unsure</b>
Decline in the number of clients					
Decline in deposits					
No effect					

Any additional comments.....  
 .....

**Section 4: Strategies in Response to EcoCash**

4.1 What changes were witnessed in banks in response to EcoCash?

	<b>1.Very High</b>	<b>2. High</b>	<b>3. Low</b>	<b>4.Very Low</b>	<b>5. Unsure</b>
Change in courtesy, understanding, and responsiveness to needs of clients					
Change in bank charges					
Changes in account opening requirements					
Change in marketing strategies					

Any additional comments.....  
 .....



4.1 comment on the changes witnessed in commercial banks' transactions and payment systems

	<b>1.Strongly Agree</b>	<b>2.Agree</b>	<b>3.Disagree</b>	<b>4.Strongly Disagree</b>	<b>5.Unsure</b>
Banks queues are now short					
There was expansion in the use of electronic payment systems					
Product or service delivery time is now short, e.g RTGS processing time					

Any additional comments.....  
 .....

**Section 5: Sources of Competitive Advantage for Commercial Banks**

5.1 What are the sources of competitive advantage for commercial banks in Zimbabwe?

	<b>1.Very High</b>	<b>2.High</b>	<b>3.Low</b>	<b>4.Very Low</b>	<b>5.Unsure</b>
Product range					
Quality					
Reliability of service					
Uniqueness of products					
Liquidity position					

Any other sources of competitive advantage.....  
 .....  
 .....  
 .....

**Section 6: Possible areas for Collaboration between Commercial Banks and Econet Wireless**

6.1 What strategies could be used to ensure collaboration between Econet Wireless and commercial banks?

<b>Possible Strategy</b>	<b>1.Strongly Agree</b>	<b>2.Agree</b>	<b>3.Disagree</b>	<b>4.Strongly Disagree</b>	<b>5.Unsure</b>
Having strategic alliances					
Joint research and development activities					
Payment of royalties or patents for use of Econet platform by Banks					

Any additional strategies.....  
 .....  
 .....  
 .....

Thank you for your time and effort

## APPENDIX II

### INTERVIEW GUIDE

My name is Joshua Nyamuzihwa, student studying towards attainment of an Executive Master of Business Administration Degree (EMBA) with Midlands State University. As a partial fulfilment of the requirements of the EMBA programme, I am conducting a study on the influence of EcoCash on Zimbabwean Commercial Banks' Strategies. I would like you to help me with answers to questions in this questionnaire. I would like to assure you that the information you supply shall be treated as confidential. There is no need for you to provide your name and contact details. Also, you are not being forced to participate in this study and you are free to withdraw your participation any time.

1. Interviewer to observe gender of participants asks about occupation, age, qualifications, and number of years in the banking sector.
2. Are you aware of the reasons that resulted in EcoCash being popular?
3. What can you say about the current banks charges?
4. What is your opinion relating to service quality and convenience in commercial banks?
5. Give comments on the effect of EcoCash on the market of commercial banks
6. What changes were witnessed in banks in response to EcoCash?
7. Comment on the changes witnessed in commercial banks' transactions and payment systems
8. What are the sources of competitive advantage for commercial banks in Zimbabwe?
9. What strategies could be used to ensure collaboration between Econet Wireless and commercial banks?

Thank you for your time and effort