Mobile Payment Landscape and its Effects on Financial Inclusion in the Unbanked Sector

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Abstract
The contribution of this work is to examine the landscape of mobile payments and its impact on financial inclusion in the non-banking sector. The results of this work show that operating in a banking environment without transformation industries requires a solid regulatory framework that currently does not exist in many African and Asian countries. Although laws and regulations regulating banking and payment systems have been enacted in many Asian and African countries, these laws have not been sufficient to solve the problems associated with the way third-party non-bank agents use to trade cash transactions on behalf of Mobile Financial service provider (MFS).

1. Introduction
Marketing scholars/researchers have interchangeably used different terms to define the concept of consumer perceived value (Woodruff, 1997). These include perceived value (Chang & Wildt, 1994), Customer value (Woodruff, 1997), value (Ruyter, et al., 1997), value for money (Sweeney, et al., 1999), Customer perceived value (Gronroos, 1997), value for the customer (Reichheld, 1996), and perceived service value (LeBlanc & Nguyen, 1999). The interests of
researchers/scholars in value have recently shifted from an early focus on product-oriented value-in-exchange to value-in-use, which is customers’ value creation processes (Grönroos, 2008; Vargo & Lusch, 2004; Vargo et al., 2008). Therefore, a service provider can create a value proposition; however, the value is determined by the customer (Kowalkowski, 2011; Ulaga, 2011; Vargo & Lusch, 2008). For instance, (Grönroos, 2000) defines service as “processes consisting of a series of activities where a number of different types of resources are used in direct interactions with a customer, so that a solution is found to a customers’ problem”. According to Vargo & Lusch(2004a, p. 3) . The concept of value chain as a term was first created by (Porter, 1985, pp. 33-40). A value chain “separates and disaggregates a firm from a group or masses into its strategically discrete activities in order to create relative cost advantage and differentiation”. Porter’s value chain “stems from the many discrete activities that are performed in designing, producing, and marketing, delivering, and supporting its product”. Porter distinguishes value chain between (a) “primary activities” such as inbound logistics, operations, outbound logistics, marketing and sales, service as the core value chain activities (b) “support activities” Procurement, Technology development, Human resource management and firm infrastructure as supporting the core value chain activities in creating value. Porter illustrates the general strategies for the value chain of cost reduction or cost leadership and differentiation in order to achieve competitive advantage (Porter, 1985, pp. 62-163). In order to create a sustainable competitive advantage, a firm must holistically manage its entire value chain including its functions (Kannegiesser, 2008). As (Slater &
Narver, 1992) mentioned, it's always the consumers that has the absolute rights of what constitutes value in a product or service. According to (Soosay, et al., 2012) VCM involves the collaboration of resources and cross functional coordination of business units in the chain to deliver more value added whilst containing the cost at a fast rate than competing the supply chain. In this context, the contribution of this work is to examine the landscape of mobile payments and its impact on financial inclusion in the non-banking sector. Rest of this paper has been organized as follows. In section 2 literature review is presented. The focus of section is on analysis and discussion whilst conclusion and future work is covered in section 4.

2. Literature Review
Porter defines value as ‘the amount buyers are willing to pay for what a firm provides them. Value is measured by total revenue... A firm is profitable if the value it commands exceeds the costs involved in creating the product’ (1985, p. 38). According to Fernandez & Bonillo, Customer Perceived value is seen as a frame with different in nature and additive concept that arises from the multi-dimensional aspects of consumer value (2007). Zeithaml (1988, p. 14) provides a general view that represents value independent of when the assessment is made in consumption situations “Perceived value is the consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given”. Hence, value perceptions are constituted as a trade-off between benefits and sacrifices (Pura, 2005).

In 1991, a popular business magazine described customer value as “the new marketing mania” (Business Week, 1991). Nevertheless, the Marketing Science Institute recognized value and its related issues as an
imperative research priority topic. Till now, this area of research has attracted lots of seminars, international conferences and scholars. Customer may perceive the value of an offering differently based on their personal values, needs, preferences, and financial resources (Ravald & Grönroos, 1996). According to (Moore, 1999) Technological innovations are most likely to fall within the discontinuous category and can arguably be regarded as knowledge intensive innovations. Holak (1988) examined technological consumer adoption and durables and found that compatibility to have a strong, positive impact on consumer purchase behaviour and intentions. Based on her study, she argued: “Consumers are notably more notably more concerned with physical space and/or lifestyle compatibility than with the operation or performance of the innovation when considering purchase” (Holak, 1988, p. 64).

Accordingly, in a more recent study on technological innovations, (Holak & Lehman, 1990, p. 69) described the following effect of compatibility on consumer adoption: “Consumers are more concerned with a new items compatibility with their living patterns and self-images than they are with more specific information about its operating features or benefits related to perceived relative advantages”.

Helfat et al(2007, p. 7)for example, discuss and defines resource value from technical perspective ‘how effectively a capability performs its intended function when normalized (divided) by its cost’. In an exertion to highlight resource characterizations Nothnagel(2008)notes that Resources have been described as attractive (Wernerfelt, 1984), valuable, rare (Barney, 1991), rare, scarce, unique, valuable, inimitable, non-substitutable She notes that scarcity, rarity or uniqueness
characteristics indicate whether the availability of a resource is confined and suggests the existence of a demand surplus.

According to Leiblein (2011, p. 910). In his editorial he argues that most of the basic ideas related to this theory were published more than twenty years ago, and a big number of scholars continue to apply these concepts. He stresses that 'At the Journal of Management Our review pool reports such wide spread familiarity with these perspectives that its difficulty to find a referee that does not list resource- and capability- based as part of his or her core expertise. Despite these indicators of familiarity and expertise, there are reasons to question whether our applications of these perspectives consistently capture the underlying concepts, assumptions and causal logic associated with these literatures'. Foss & Knudsen (2003) argue that as the foundation and the assemblage of the RBV's empirical literature was not accurate, it is filled with ambiguity and contradiction which is not clear whether it contains a theory of competitive advantage or a theory of rent or both. Kraaijenbrink et al (2010) highlights that the RBV Community has stuck to a limited in extent economic rationality and has decreased any opportunities for progress and development over the past decade or so. Furthermore, Hoopes et al (2003, p. 890) outline that “The models underlying the empirical literature often seem disjoint and consequently so do their results”. Nevertheless, in their conclusion they have acknowledged the role of the RBV theory in its dominant position explaining difference in the strategy theory as well as inspiring a great deal of work on the importance of resources and capabilities to the superior performance of organisations and their sustainable competitive advantage.
3. Analysis and Discussion

According to (International Labour Organisation, 2010) like in many developing countries Somalia’s micro, Small, and Medium Enterprises form the biggest part of the private sector, most of these enterprises are indigenously owned and family run business due to lack of access to market and finance these MSME rarely grow beyond medium scale level. Therefore, business conduct regulations and legislations for market access, competition, consumer protection for dispute resolution procedure have to be taken into consideration when it comes to the Technology-enabled Mobile Payment financial services.

3.1. Customer’s Perceived Value

Value perceptions may also differ according to the usage situation (Anckar & D’Incau, 2002). Monroe (1990), further proposed that perceived overall value is a weighted sum of acquisition and transaction value. Hence, one technique to examine and identify perceived is to divide into acquisition value, transaction value, in use value, and redemption value (Monroe and Chapman, 1987; Parasuraman & Grewal, 2000). Monroe and Chapman (1987) further emphasised the acquisition value as the perceived benefits and net gains associated with the benefit and money equivalent to the disutility of using and acquiring a product or service. In use value means the utility derived from using the product or service and redemption value means the residual benefit at the time of trade-in or termination of service or product (Parasaruman & Grewal, 2000). “In the mobile service context, acquisition and in-use value are believed to dominate, because transaction value emphasises prices and sees customers as rational beings, who are aware of the current price level and consider the benefits and sacrifices needed to obtain the
product or service” (Pura, 2005, p. 514). (Gummerus, 2013) Has alleviated the often-cited ambiguity of value concept by suggesting that value research consists of two main streams: Value creation process and value outcomes. He further explained that the value creation consists of the parties, activities and resources involved in value creation, whereas the value outcomes reflect the value outcomes customers perceive. Nevertheless, Gummerus (2013) emphasises that although marketing literature have provided considerable rivalry conceptualizations of customer value, however, no consensus exists. Accordingly, researchers have drawn criticism in that value is one of the most misused terms (Leszinski & Marn, 1997), and this is an agreement with Woodall, that value research continues to be an area of continuing uncertainty (Woodall, 2003), where there is “ambiguity with respect to the definition, dimensions, and measurement” (Sanchez-Fernandez and Iniesta-Bonillo, 2007, p. 440). According to Sheth et al (1991) value is identified in five dimensions which are functional, social, emotional, epistemic, and conditional value. Functional value relates value derived from effective task fulfilment. Social interaction value (impartial treatment) (Chahal & Kumari, 2012), emotional value (products/service generates feelings or affective states), epistemic (novelty, gained knowledge or experienced curiosity), conditional value (depends on the context, and exists only in a specific situation), (Sheth, et al, 1991). On the contrary (Sweeney & Soutar, 2001) advocated deconstruction of the functional value description dimensions suggested by Sheth et al. (1991) and included price and quality by eliminating epistemic and conditional values. The quality and price value
dimensions used by (Sweeney & Soutar, 2001) are clear, broader and suitable to provide clear insight about CPV in Mobile Network Operators sector.

3.1.1 Service Dominant Logic

The paradigm of Organisational foundational premises begins to unify disparate literature in major areas such as customer and market orientation, service marketing, relationship marketing, quality management, value and supply chain management, resource management, and network analysis. The foundational premises of the emerging paradigm are (1) Skills and knowledge are the fundamental unit of exchange, (2) indirect exchange masks the fundamental unit of exchange, (3) goods are distribution mechanisms for service provision, (4) knowledge is the fundamental cause of competitive advantage, (5) all economies are services economies, (6) the enterprise can only make value propositions, and (8) a service-centred view is inherently customer oriented and relational”.

The new foundational premise (9), which is not part of the above foundational premise, shifts the attention from the firm to an economic echo system that are considered as a network of resource integrators co-creating value for themselves and for other parties (Mele & Corte, 2013). Nevertheless, the original eight foundational premise in 2004 have recently been modified and extended to 10. (Vargo & Lusch, 2008) Emphasises that four are core to developing general theory of markets. They are: Foundational Premise (1) Service is the fundamental basis of exchange, FP (6) the customer is always a co-creator of value, FP (9) all economic and social actors are resource integrators, FP(10) value is always uniquely and phenomenologically determined by the beneficiary. (Rust, 1998, p. 107) Underscores the
importance of such an inclusive approach which is the integration of goods with services: "The typical service research article documented ways in which services were different from goods... It's time for a change. Service research is not a niche field characterized by arcane points of difference with the dominant good management field". These scholars have conceptualised what is called Service Dominant Logic in which the concept of service is the process of incorporating and using resources to provide benefits for another party (Lusch & Vargo, 2006). Within S-D logic, the role of resources is the key to the process of value creation, which occurs "when a potential resource is turned into a specific benefit" (Lusch, et al., 2008). According to (Maglio & Spohra, 2008, p. 19) "service dominant logic might provide the just the right perspective, vocabulary, and assumptions on which to build theory of service systems, their configurations, and their modes of interaction". According to Vargo & Lusch (2004a) the goods are no longer the only transaction objects, but they appear as an appliance for services provision. Services are seen as the real protagonists of interactions and transactions. "S-D logic identifies that an enterprise can only offer VPs (Value Propositions), but value itself is created during in-use experience. The implication within the context of stakeholder markets is the requirement for understanding and managing the in-use experience --- an area, which has been un-explored in non-customer markets" (Frow & Payne, 2011, p. 235). According to Lusch, et al., (2007, p. 8) "Understanding how the customer uniquely integrates and experiences service-related resources (both private and public) is a source of competitive advantage through innovation". Prahalad(2004, p. 175) Emphasises that "the premise
of this model is that experience is the basis of value, experience is co-created, and exchange [or interaction] represents the locus of value creation. The end point is not 'a segment of one' but rather an 'experience of one'.

3.2. Value Chain

Some scholars argue that Porter's value chain illustrates the classical business units/function and is characterised from organisational unit activities not processes (Corsten, 2001). This is in an agreement with (Kannegiesser, 2008, p. 12) "over the years, the value chain was further enhanced towards, cross company-orientation defined in the term supply chain and network-orientation defined by the term supply chain network". According to (Christopher, 1994) a supply chain is "a network of organisations that are involved, through upstream and downstream linkages, in different processes and activities that produce value in the form of product or services in the hands of the ultimate customer". This is confirmed by (Davidson, 2011), who state that offering mobile money, like analysing the value chain of any other product or service, requires carrying out coordinated set of activities such as marketing, liquidity management, and technology as primary activities and float holding, regulations, product and business development as supporting activities.

3.2.1 Adoption of Technological Innovation

Consumer adoption is identified as a process (Rogers, 1976), it's been cited as a sequence of steps in which the consumer passes from an initial knowledge of an innovation, to forming an attitude towards it, to reaching an adoption decision (Rogers, 1962). According to Rogers (1995, p. 12) technology is described as a means for uncertainty reduction about the cause-effect relationship involved in achieving a certain outcome. Again,
Rogers (1995, p. 11) defined innovation as "an idea, practice or object that is perceived as new by an individual or other unit of adoption", while diffusion is "the process by which an innovation is communicated through certain channels over time among the members of a social system". As Saaksjarvi (2003, p. 90) pointed out that "innovation adoption is proposed to be determined by four adopter groups: technovators, supplemental experts, novices, and core experts, and interaction between their knowledge and compatibility with the technological innovation".

According to (Luarn & Lin, 2005) although there has been quite considerable research on the technology acceptance model (TAM) that predicts and analyses the determinant of user acceptance and diffusion of innovations, however, limitations of TAM include the omission of an important trust-based construct in the context of electronic/mobile commerce, and the general assumption that there are no barriers preventing an individual from using an information system if he or she chooses to do so. This is an agreement with (Mallat, 2007) who provides an extensive qualitative TAM of the determinant factors, which include relative advantage, cost, compatibility, complexity, network externalities, trust and security risk. (Robertson, 1971, p. 7) Categorizes innovations on the basis of the impacts they have on behaviour and social structure into continuous, dynamically continuous and discontinuous. Continuous products are slight modifications to existing products and/or services, whereas dynamically continuous innovations may involve the creation of new products or services or modifying the existing ones. Discontinuous innovation is the creation of previously unknown products or services that require a
significant effort and mount of time to learn.

3.2.2. Resource Based View (RBV)

The resource based approach has its origins in Penrose's work (1959, p. 24). She first wrote 'it's never resources themselves that are inputs to the production but only the services they can render'. Penrose also provides an easy to understand logic to separate causal links among resources, competitive advantage and capabilities that contribute to a resource based view theory of competitive advantage (Kore & Mahoney, 2004). Resources must be simultaneously valuable, rare, inimitable, and non-substitutable to be in order to have sustainable competitive advantage (Barney, 1991). Hoopes et al (2003:892) defines competitive advantage as the relative difference between two firms over value and cost across rivalry. The resource based view confronted and challenged the view of the firm and the basis of its competitive advantage (Rumelt, 1984; Wernerfelt, 1984). The emergence of this theory has shifted the focus from the value chain (Porter, 1980) to the internal strategic capabilities of the firm including resources, competencies. Barney (1997, p. 143) defines resources as 'all assets, capabilities, competencies, organisational processes, firm attributes, information, knowledge, and so forth that are controlled by a firm and that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness'. Scholars such as (Rumelt 1984; 1991) indicate that the difference in performance between same-sector firms is higher than that between firms in different sectors.

On the other hand, other scholars who contributed to the theory of RBV such as (Wernerfelt, 1984; Barney, 1986, 1991) compete a view that confronts from the industrial
economic approach Porter (1980, 1985), arguing that competition is not based on products, but rather on resources. Barney (1986, p. 658) states that a valuable resource "must enable a firm to do things and behave in ways that lead to high sales, low cost, high margins or in other ways add financial value to the firm". Lynch (2012) stresses that RBV denotes a substantial shift in relation to the environment-based view that was emphasised in the 1980s and early 1990s. "RBV stresses the importance of the individual resources of the organisation in delivering the competitive advantage and value added of the organisation"(2012, p. 151)

According to Johnson, Whittington and Scholes(2011, p. 84) Resources are the assets that organisations have or can call upon (e.g. from partners or suppliers); competencies are the ways those assets are used or deployed effectively. Bowman and Ambrosini indicates that 'a valuable resources must generate in some way a rent stream from a product market, and it therefore must contribute or be involved in some way in the creation of a product or service that has use value to customers' (2007, p. 321).

3.2.3 Dynamic Capabilities

(Teece, 1994) Defines dynamic capabilities, the subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances. The firm’s ability to integrate, build and configure internal and external competences to address rapidly changing environments (Teece et al. 1997:516). According to (Eisenhardt & Martin, 2000) dynamic capabilities are the firm’s processes that use resources—specifically the process to integrate, reconfigure, gain, and release resources—to match and even create market change; dynamic capabilities thus are the
organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die. A dynamic capability is a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness (Zollo & Winter, 2002). Dynamic capabilities can be disaggregated into the capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets (Teece, 2007). The Dynamic capabilities theory (Teece, et al., 1997) has drawn the attention of many scholars within the management literature in recent years.

In their study (Teece, et al., 1997, p. 509) have suggested“The dynamic capability framework analyses the source and method of wealth creation and capture by private enterprise firms operating in environments of rapid technology change. In short, identifying new opportunities and organising effectively and efficiently to embrace them are generally more fundamental to private wealth creation than strategizing, if by strategizing one means engaging in business conduct that keeps competitors off balance, raises rival’s costs, and excludes new entrants”. Failure to deal with major environmental changes can negatively jeopardise firm’s superior performance (Audia, et al., 2000), and current economies seem to be highly competitive and present more challenges than ever to the competent, effective, efficient management (Barreto, 2010) because of what some scholars marked as hypercompetitive environments (D’Aveni, 1994) or what
other scholars have indicated as high-velocity environments (Bourgeois & Eisenhardt, 1988) which they associated the rapid and continuous change in demand, competition, technology, social and regulation. (Kraatz & Zajac, 2001) Indicated that while the concept of dynamic capabilities is appealing, it's a rather vague and elusive one which has thus far proven largely resistant to observation and measurement. According to (Barreto, 2010) The dynamic capability field would benefit the majority of researches produced so far to assess whether and to what extent such recurring criticisms are justifiable.

4. Conclusion and Future Work
The contribution of this work is to examine the landscape of mobile payments and its impact on financial inclusion in the non-banking sector. It has been found that these non-traditional financial translations affect the functioning of the traditional system due to a lack of legal requirements and legal procedures. Future research could deepen the analysis of the subject, taking into account the impact of the area studied in another country or region.

References


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