ADOPTION OF NEW INFORMATION AND COMMUNICATION SYSTEMS
TECHNOLOGY AS A TRANSACTION COST REDUCTION TOOL TO BUSINESS.
A CASE STUDY OF KCI MANAGEMENT CONSULTANTS.

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REQUIREMENTS OF THE BACHELOR OF COMMERCE HONOURS DEGREE IN
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APPROVAL FORM

The undersigned do hereby certify that they have supervised the student, Tinashe Livewell Rufasha’s dissertation entitled: Adoption of new Information and Communication Systems Technology as a transaction cost reduction tool to business. A case study of KCI Management Consultants, submitted in partial fulfilment of the requirements for the Bachelor of Commerce Honours Degree in Financial Intelligence of Bindura University of Science Education.

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DEDICATIONS

I dedicate this dissertation to my parents and my brothers, Kudakwashe and Simbarashe for their love and support. And most importantly, to the God, Almighty for the life and opportunity.
ABSTRACT

Advancement in Information and Communication Technology (ICT) systems have brought about some significant merits to the various sectors of the economy although in developing countries such as Zimbabwe, ICT is yet to be fully embraced. ICT is a collective term for a wide range of devices, software and applications used to create, process, retrieve or store information. Companies that include KCI Management Consultants, incur transactional costs such as printing, stationery and monitoring. Such costs can be reduced through the adoption of ICT, for example, replacing the manual paperwork involved with the use of computers and networks to process the loans. Currently, KCI relies on the establishment/loan application fee as a tool for transaction cost reduction. Questionnaires and interviews are the research instruments that were used for gathering data from a sample size of 10 employees at KCI headquarters in Harare which were selected using a non-random sampling technique. The data which was gathered in the field was presented in the form of tables, graphs and pie charts. The research revealed that the only effective tool currently employed by KCI towards transaction cost reduction is the establishment or application fee, however, findings show that adoption of ICT systems can be effective transaction cost reduction tools. For example, the use of the internet to establish a company website would reduce the marketing costs involved with physical movement of staff across the nation. However, challenges that hinder KCI from adoption of new ICT systems include lack of skilled personnel vis-à-vis the costs involved with the setup of ICT infrastructure. The researcher suggested partnerships with mobile money network operators as part of the smooth transition towards ICT systems adoption by KCI.
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CHAPTER ONE

INTRODUCTION

1.0 Introduction
Firms particularly those in the money lending business incur transaction costs that range from the assessment of potential clients to follow ups on non-performing loans. Such costs have affected several microfinance institutions (MFIs) leading to the charging of high interest rates in order to mitigate the costs. Therefore, the researcher was prompted to undertake a study which will unravel how the utilisation of ICT can be useful in reducing transactional costs in organisations, hence obtaining a competitive advantage.

1.1 Background of the Study
According to the World Bank (2017) evidence showed that adoption of digital financial services would reduce costs for institutions and customers. The ability of technology to transform the delivery of financial services can already be seen in the development of mobile money over the last decade. The costs that could be reduced include printing and photocopying of stationery, loan packs specifically. Instead of much paperwork, costs could be reduced by the use of computers for the loan processing, disbursement and repayments. Freeman et al (2010) defines ICT as a field of work and study that includes technologies such as desktop and laptop computers, software, peripherals and connections to the internet that are intended to fulfil information processing and communications functions.

KCI Management Consultants is a company which was incorporated on the 25th of June 2005 as a management consultants and research firm. In 2010 it diversified into microfinance services provision and to date, the company has more than 75 branches, covering cities, towns, growth points and several remote locations. The company aims at poverty reduction and provision of microfinance services at affordable interest rates. However, given the growing competition in the microfinance sector, there is need for them to further embrace and
acknowledge ICT systems as a vital tool to transaction cost reduction. Low interest rates can only be afforded if the transaction costs incurred by the company are lower.

During industrial attachment, the researcher observed some of the transaction costs that KCI incurs on a monthly basis and these are shown on the table below:

Table 1: Transaction costs (average) incurred by KCI Microfinance for the periods of December 2016 and December 2017.

<table>
<thead>
<tr>
<th>Cost</th>
<th>December 2016 ($)</th>
<th>December 2017 ($)</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationery &amp; Printing</td>
<td>50</td>
<td>62</td>
<td>24% Increase</td>
</tr>
<tr>
<td>Transport &amp; Accommodation</td>
<td>75</td>
<td>56</td>
<td>25.3% Decrease</td>
</tr>
<tr>
<td>Postage</td>
<td>10</td>
<td>12</td>
<td>20% Increase</td>
</tr>
<tr>
<td>Telephone &amp; Fax</td>
<td>30</td>
<td>34</td>
<td>13.3% Increase</td>
</tr>
<tr>
<td>Marketing</td>
<td>100</td>
<td>105</td>
<td>5% Increase</td>
</tr>
<tr>
<td>Monitoring</td>
<td>260</td>
<td>150</td>
<td>42.3% Decrease</td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>520</td>
<td>520</td>
<td>Constant</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>1045</strong></td>
<td><strong>939</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: KCI Financial Statements (Primary Data) 2017

1.2 Statement of the Problem

Microfinance institutions continue to incur high and unnecessary transactional costs which would therefore translate to high interest rates for the customers, therefore, against the background given above, the researcher sought to widen another tool that can be used to effectively reduce the transaction costs and that is through new ICT systems adoption. From the background given on Table 1, KCI’s expenses such as stationery and printing increased by 24% from 2016 to 2017 due to the adherence to manual processing of loans and paperwork.
1.3 Research Objectives
1. To examine approaches which are currently used by KCI Management Consultants to reduce transaction costs.

2. To evaluate the effectiveness of approaches currently used by KCI Management Consultants to reduce transaction costs

3. To explore the extent to which ICT can help KCI Management Consultants on transaction cost reduction.

1.4 Research Questions
1. What are the approaches currently being used by KCI Management Consultants to reduce transaction costs?

2. How effective are the approaches as a measure of transaction cost reduction?

3. To what extent can new ICT systems be useful to KCI to reduce transaction costs?

1.5 Assumptions
The research is based on the following assumptions:

- The sample is a true representation of the population.
- Information collected from primary data sources is true and accurate.
- Respondents cooperate and offer the relevant information needed.
- Respondents have some understanding regarding ICT.

1.6 Significance of the Study

To the Researcher

The researcher will acquire vast knowledge regarding the subject matter of ICT and its usefulness as an approach to cost reduction in microfinance institutions. This would also be a personal academic achievement in line with the university requirements.
To the Organisation

The research paper will help microfinance institutions such as KCI to employ strategies that are effective on cost reduction. This would therefore give them a competitive advantage.

To Bindura University

The research report will be deposited in the university library for other students to use.

To Other Researchers

Other researcher will also benefit by using the research as a point of reference when they research along the same lines.

1.7 Delimitations of the Study

The research will be conducted at KCI Management Consultants’ headquarters in Harare where there is quite a number of employees at different levels of organisational hierarchy. Information would therefore be easy to acquire.

1.8 Limitations of the Study

The limitations of this study are:

(a) The university library has limited textbooks and materials on ICT and microfinance institutions. However, the researcher utilized modern technology such as the internet as a secondary source of data.

(b) Inadequate financial resources since the researcher fundedself, therefore, constraints were partially faced on preparation of questionnaires and transport, to and from Harare.

1.9 Definition of Terms

a. Information and Communication Technology (ICT): a broad term that covers all aspects of information conveyance and technology including the use of computers, internet and mobile phones to transmit and receive information (Celebic and Rendulic, 2011).
b. **Microfinance Institutions**: organisations or firms that provide credit and other financial services to the low income groups and small scale entrepreneurs (Ledgerwood, 2000).

c. **Transaction costs**: these are costs involved in the operation of the business and they measure the productivity of a product or service (Wang, 2003).

### 1.10 Summary

This chapter highlighted on the research background and objectives and entails the statement of the problem which is attached to the fact that microfinance institutions continue to incur high and unnecessary transactional costs which therefore translate to high interest rates for the customers. The key objectives include exploring the extent to which ICT can help KCI Management Consultants on transaction cost reduction against the current approaches adopted by the company. This sets the tone for the next chapter which looks at the literature review.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction
This chapter will demonstrate the researcher’s understanding regarding the research topic. The researcher will be guided by the research objectives and questions and this will enable the identification of the knowledge gap from previous academic researches. The chapter will explore the empirical evidence and theoretical evidence and ending with a summary of the chapter. Borg and Gall (1989) define literature review as a process that involves reading and evaluating reports of research, observations and opinions related to the individual’s research project. It is part of academic research to appreciate the works of previous researchers hence the significance of this chapter.

2.1 Conceptual Framework

2.1.1 Information and Communication Technology (ICT)
Celebic and Rendulic (2011) define ICT as a concept that involves transfer and use of all kinds of information. ICT covers all communications technologies such as; instant messaging, e-mail, networks, mobile phones and the internet, inter alia. Rouse (2005) posits ICT as a collective term that comprises all communication devices, applications and technology.

Video conferencing and distance learning are among the various services and applications associated with ICT. The ICT professionals are responsible for carrying out duties such as management of networking, database and software design and also, engineering the hardware components of the computer. The concept was brought about by the combination of computers and communications technologies. Therefore, ICT is recognised as a general term that comprises all the technologies involved in the production, communication, storing or dissemination of information.
2.1.2 An Overview of Microfinance

Ledgerwood (2000) defines microfinance as the provisioning of financial services to poor or low income clients, including consumers and entrepreneurs who would otherwise not be served by traditional financial institutions. Institutions that provide microfinance have a broad range of clientele from fruit and vegetable vendors to the civil servants. MFIs are instrumental in fighting poverty in developing countries such as Zimbabwe where quite a number of people are in the informal sector of business. According to Parikh (2006), these clients are ignored by the mainstream banking industry due to poverty, lack of education and residing in remote locations.

MFIs such as KCI Management Consultants (KCI) still rely on manual data processing, for example, a client fills in more than 5 forms and this translates to printing and stationery costs incurred by the organisation and the burden will be borne by the client through the payment of establishment or application fee.

2.2 Theoretical Framework

2.2.1 Transaction Cost Reduction Tools Employed by MFIs

Wang (2003) defines transaction costs as simply the economic value of resources used in locating trading partners and executing transactions. Ledgerwood (2000) stressed on the need to embed transaction cost reduction tools in the overall business strategy to achieve the business goal of maximising profits. Below are some of the tools employed by MFIs to reduce transaction costs:

Establishment or Application Fee

This refers to some amount or percentage that is charged by MFIs whenever a client applies for a loan and it is a transaction cost reduction tool meant to pass the burden of the cost to the client since the interest rate would be high. Since the main business objective is making profits, MFIs charge interest rates that cover all the administrative costs. Rosenberg et al (2013) posits that MFIs charge interest rates that are higher than those charged by banks due to the costs they incur on transactions.
Although, the application fee is charged in order to offset the administration costs that include printing and stationery, the greater percentage is retained as revenue by the institution. The Interest rate charged by KCI is 20% where 15% is the Interest on the loan amount and 5% is the application fee. Therefore, if a client is granted $100, he or she pays $5 as the application fee and $115 on the settlement of the loan, thus, a $100 principal amount earns a total repayment of $120. It is quite evident that some of the MFIs are charging exorbitant interest rates which makes it impossible for most clients to put a halt to borrowing due to the incapacity to fully settle the debt and live freely without borrowing again. In other words, clients borrow to settle debts and settle debts to borrow again.

From the above premises, it is evident that MFIs charge high interest rates in order to cover the costs incurred during the processing of the loans. Some clients reside in remote areas hence the institutions would have to cover the costs hence reducing the transaction costs by passing the burden to the clients. However, high interest rates can put the image of institutions into disrepute and can even translate to losses in the long run.

**Group Lending**

Provision of microfinance services to low income earners requires MFIs to be innovative in order to mitigate risks and group lending is one of the strategies that is used by MFIs to reduce transaction costs. Haldar and Stiglitz (2016) posits group lending as a system whereby individual clients are combined into groups such that they guarantee each other and the groups will be liable for individual defaults on loans. Group lending is implemented mainly, due to the limitation of physical assets of low income earners, therefore, the strategy seeks to mitigate the risk of non-performance of loans whilst expanding to reach even those in remote locations. Also, the individuals would be in a position to know each other’s whereabouts by virtue of living in the same vicinity or engaging in similar business activities, thus, debt collection costs are reduced this way. Farmers and vendors are some of the groups the form cooperatives and therefore qualify for the joint liability system. Group lending does not only push repayment rates but also reduces the staffing costs (Ghatak, 1999). Administration costs such as transport, communication and stationery are also reduced through the joint liability system.

**Motivation**

Motivation is the extent of determination to achieve specific goals, reinforced by the effort or commitment to achieve those goals. Monetary incentives such as performance bonuses or
salary increments can motivate employees, therefore, reducing the cost of negligence and errors. Berger and Berger (2015) argued that employees prefer to have monetary incentives in return to their successful efforts and accomplishments. Therefore, in relation to MFIs, if the employees are fairly rewarded for their efforts, they would execute their duties wholeheartedly and professionally such that defaulter follow ups are done using the standard procedures of diary and communication thereby lessening the number of non-performing loans. Entwistle (1987) also propounded that, rewarded employees have a high degree of motivation that directly impacts their performances.

**Continuous Training**

MFIs enhance the knowledge and skills of employees through holding educational seminars and workshops at least twice a year. Management analyses how each branch operates, noting the strengths and areas of weaknesses, which therefore forms the basis of the seminar discussions and agenda. Issues covered may include poor debt collection and declining sales. These two may point to poor assessment of clients and failure to market the brand and its various products. Training is therefore, a base for innovation where employees come up with different ideas that add value to the organisation thereby leading to transaction cost reduction.

**Internal Controls and Auditing**

The function of the audits is not just to detect and deter malpractices and crimes but also, to enhance efficiency through mitigating costs associated with money lending. Internal audits are done by teams that are fully aware of the procedures and policies of the institution and their duty includes checking the accuracy of reports, records and the accounting practices. Through the checking of financial reports and records such as receipts and cash balances, the audit teams are enlightened on the costs associated with the operation of the business entity at a specific period. Checking of loan documents and the diary is also part of the audit teams’ responsibility whereby they can establish correlations to the costs incurred. Ultimately, the teams pass recommendations to the organisation on the best practices that can be pursued to minimize costs and maximize the profits.

**2.2.2 The use of ICT in MFIs**

**Mobile Computing and the Internet**

Mobile computing enables the analysis of data to determine whether it is up to date or if there are any errors. MFIs often have a number of branches across the country and these offices
rely on manual data entry, therefore, making the data entry process prone to errors. The system of mobile computing is one of the recent innovations utilised to overcome the problems related with paper based transactions. Loan officers in the field can enter information directly into the database through tablet computers (devices), thus, avoiding the probability of making errors or losing the manual forms with vital information before they reach the office for filing. Helms (2006) posits that the data will be uploaded to the company database through remote communications connection at the end of each day. Wireless broadband structures enable systems to be always online and monitor various institutional activities with regard to data integrity and accuracy. Electronic data recording from the field and the receipt generating system for clients significantly reduces errors and costs (Cracknell, 2004). The Internet provides clients with accurate information about products and the institution, through the MFI’s website whilst also enabling funds transfers to the company accounts as repayments. Diniz and Pozzebon (2010) outline that the use of the internet reduces travelling and accommodation or transport costssince potential clients can access information regarding the company on the internet, thereby making it unnecessary to manually cover all the communities for marketing. Thus, labour and marketing costs are also reduced.

The evidence from authors such as Diniz and Pozzebon (2010), Helms (2006) and Cracknell (2004) shows that mobile computing and the internet, which are components of ICT, play a significant role in transaction cost reduction in various institutions such as MFIs.

**Card Services, POS Machines and ATMs**

Card-based services require the rollout of Automatic Teller Machines (ATMs) and they give MFIs a competitive edge since they enhance immediate receipts for repayments hence lessening the chances of errors and fraud by employees. Helms (2006) posits that the use of card services for repayment secures confidence among clients hence reducing costs associated with loan defaults. MFIs can also consider the use of smart card technology as part of transaction cost reduction. Smart cards have an embedded computer chip which stores client and transaction data and therefore, can be used as electronic passbooks hence eliminating or reducing the costs of printed receipts. Whelan (2003) posits that smart cards can be used in collaboration with biometric technologies such as fingerprint scanners such
that there is improvement in the verification process of client credentials, thereby improving data safety and privacy.

**Mobile Banking**

There are high costs associated with provision of services to communities which are remote located hence, some MFIs are now moving towards internet banking and cashless transactions as cost reduction tools. Sravani (2013) posits that, mobile banking allows the user to log into his account from a cell phone and then use the phone to make payments, check balance, transfer money between accounts and viewing monthly statements. Therefore, consumers can make transactions from wherever they are without having to physically visit the office. Mobile banking is also called M-Banking or SMS Banking.

**2.2.3 Merits Associated with ICT adoption in an Organisation**

**Improved Service Delivery**

In the money lending business, service delivery is related to accessibility of loan facilities and the satisfaction of clients. Adoption of ICT systems brings about various benefits such as access to banking services which are convenient, therefore spending less time in queues due to the quick loan processing (Hishiguren, 2006). Convenience has been enhanced through branchless banks in the form of Point of Sale (PoS) networks, ATMs and mobile banking where clients access various financial services without physically visiting the office. Mobile phones have been found to be instrumental in microfinance service delivery.

**Increase in Growth and Savings**

Business objectives of attaining profits and expansion also apply to MFIs and since the adoption of ICT systems, loan recovery became more than 95% in Uganda (Feiner, 2003). Therefore, it can be inferred that technology has gradually led to the growth of MFIs due to timeous repayment of the loans.

**Improved Operational and Market Performance**

The issue of non-performing loans has been a major concern in MFIs due to manual data entry processing and some MFIs have not been able to withstand the high competition in the
microfinance sector. Mobile computing enables the capturing of data in the field and timeously sending it to the head office such that no distortions at branch level can ruin the operational capacity of the whole institution. Feiner (2003) posits that ICT has reduced the credit risk of default to a mere 5%. As the transaction costs are reduced, MFIs also reduce their interest rates hence attaining a competitive edge and satisfying the customers’ needs of accessing credit at low interest rates.

2.2.4 Challenges of implementing ICT in MFIs

Regardless of the several benefits associated with ICT adoption and usage, it is difficult for the MFIs to use the ICT as a transaction cost reduction tool. Opportunity and possibility of ICT adoption is a function of participants in the system and the first challenge is the difference between the traditional means of offering financial services and the ICT way. In Africa, there has been slow progress in embracing technological advancement hence MFIs have lagged behind in that regard. Some systems which are adopted by MFIs are not suited for small-scale money lending (Parikh, 2006).

Sravani (2013) noted some problems that are associated with the adoption of technology in line with the fact that, most of the software for MFIs is developed by and for large organisations that often have significant financial support from donors therefore not suiting the needs of smaller rural organisations. Some of the obstacles specific to the small organisations include:

- Lack of skilled staff to support the MIS.
- Lack of local Information Technology (IT) support and services environment for after-sale service, training and support.
- Lack of budget to procure and update/upgrade technology.
- Very basic technology need which are not addressed well by existing sophisticated solutions.
- High need for localization, for example, language of interface and iconography.
2.3 Empirical Evidence

2.3.1 Role of Technology in Microfinance Sector in India.

Sravani (2013) carried out a study focusing on the impact of technology utilisation in the microfinance sector in India. The objectives included; understanding role of ICT, constraints and hurdles in technical implementation and adoption and signifying the role of technology and Management information systems (MIS) in traditional financial services. Mobile banking, internet banking and ATMs have been noted among the technologies that can lead to the success of MFIs.

The researcher concurs with Sravani’s assertion that much of the MFIs success has been due to the innovative use of communication, transport and information technologies. However, in the study, (Sravani, 2013) did not offer vital remedies to overcoming the technology-related problems.

2.3.2 The Role of Information and Communication Technologies (ICT) in Improving Microcredit: The Case of Correspondent Banking in Brazil.

Diniz and Pozzebon (2010) carried out an investigation on the way ICT can support correspondent banking (CB) models to improve microfinance in Brazil. The study sought to deepen understanding of benefits of integrating microfinance delivery and ICT-based platforms. Some of the objectives of this study include, investigation of the potential of distance learning, that is, financial education programs for adult learners to improve microfinance activities. ICT usage for financial inclusion has been recognised as having a worldwide interest.

This study focused on the use of ICT combined with knowledge of socio-cultural conditions and some of the recommendations included the importance of providing financial education to both the clients and the employees. In the case of clients in remote locations in countries such as Zimbabwe, providing them with education on microfinance or management of debts would be beneficial to the MFI since, debts would be repaid in time, therefore, less debt collection costs. Methods employed may include the use of internet facilities such as the
institution’s website or simply through the text messages for the financial education and interaction.

Moreover, besides the reduction in transaction costs, the MFIs can also attain growth through a number of highly performing loans, this therefore translates to a large market share as well as vast profits. Thus, exhibiting the merits ICT adoption can bring to various organisations.


Harelimana (2017) analysed the impact of ICT on financial performance of MFIs in Rwanda and the study found that ICT impacts on financial sustainability, profitability, financial efficiency, productivity and portfolio quality. The study established that there is a positive correlation ship between ICT and profitability. However, it was also found that, the low impact was due to low investments in ICT among MFIs.

The study stresses on the need for ICT adoption as a part of maturing of the MFIs and also, the inevitability of moving with the times, that is, rampant use of wireless networks and technologies for business purposes. In order to attain a competitive edge and survive the competition in the money lending market MFIs have to adopt ICT and this would lessen the marketing costs aligned with fighting competition or regaining the lost market share. Reduction in transaction costs result in higher profit margins and therefore, the business achieves the growth objective.

2.3.4 ICT for Business Services: The case of Ugandan Microfinance Institutions

Bada (2012) investigated the extent to which Microfinance Institutions (MFIs) use to deliver business services as well as training of staff. The scholar acknowledged that Information Technology (IT) plays a significant role in facilitating the introduction of new products, also, firms can realise economic benefit from computerization if they manage IT resources effectively. Some of the research questions include, how microfinance institutions manage
information in order to get competitive effectiveness of enterprises as well as exploring the existing IT platforms and skills that support microfinance business operations in Uganda.

The researcher concurs with Bada (2012) on the assertion that Management Information Systems application software and Smart cards are some of the technologies that can facilitate microfinance business. Clients can be efficiently served by loan officers since there would be reduced paperwork. Transaction costs are reduced as a result.

2.4 Gap Analysis

Studies such as Sravani (2013) outlined the importance of adopting and implementing ICT systems such as ATMs and mobile banking. However, the study does not dwell much on transaction costs. Diniz and Pozzebon (2010) focused mostly on the link between correspondent banking and MFIs success although they explained the importance of ICT platforms in financial education for both the clients and the borrowers. Harelimana (2017) dwelt on ICT and its positive correlation to the success of microfinance services.

From the above, most studies focus on financial performance and profitability but not deepening into how ICT can reduce transaction costs in entities such as MFIs, which is sought by this research.

2.5 Summary

Although this is the first study undertaken by the researcher, it will be instrumental in further enlightenment regarding the adoption of ICT systems as a transaction cost reduction tool. This chapter highlighted the various tools that are averagely used by traditional MFIs in cost reduction, the merits ICT systems can bring in the cost reduction and profitability of MFIs as well as the challenges of implementing ICT systems. The chapter also dwelt on the previous studies of other researchers, noting the shortfalls vis-à-vis the current research under study, for example, scholars such as Sravani (2013) did not dwell much on transaction costs.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter will take a look at the various strategies used to conduct the research and this entails collection of the necessary information. The focus would be on collection of data and information from various sources, therefore, the chapter deals with the research design, target population, data collection, sampling technique and the research instruments.

3.1 Research Design
Burns and Grove (2003) defines research design as a “blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings.” Research design focuses on the relevant data and questions for the study and the methods to analyse the data. In summary, it is a plan and structure of investigation so conceived as to obtain answers to the research questions (Cooper and Schindler, 2003). The importance of the research design lies on the expression of research problem structure and plan of investigation in relation to the obtaining of empirical evidence relative to the study. The researcher will use a combination of survey and desk research to collect the relevant data from respondents. There will be use of interviews and questionnaires as well as the examining of sources containing information of interest to the researcher.

3.1.1 Advantages of using the surveys
- good statistical significance.
- relatively cheaper to administer.
- convenient data gathering.
- there is little or no observer subjectivity due to standardised questions.
- precise results.
3.1.2 Disadvantages of using surveys

- possible inappropriateness of questions.
- the method is inflexible because it requires sticking to the initial study design.
- prone to error where inaccurate assumptions are made about the sample.
- not suitable for controversial issues due to difficulties in recalling information.
- researcher must make sure that a greater number of the selected sample will reply.

3.2 Case study
Generally, a case study is defined as the use of various sources of evidence in empirical investigations of a contemporary phenomenon within the real life context. There would be employment of instruments such as questionnaires, interviews, document analysis and observations.

3.2.1 Advantages of using a case study
- It is an ideal method for challenging theoretical assumptions.
- is a good source of ideas regarding behaviour.
- provides a clear analytical base.

3.2.2 Disadvantages of using a case study
- high risk of data collection and interpretation bias.
- difficult to generalise through analysis of a single case.
- can be costly and time consuming.

3.3 Population and Sampling
In general, the targeted population refers to the full set of units that share certain characteristics from which a sample or representative is to be collected. On the other hand, sampling generally refers to a method that is used to seek total representation of the
population when it is impossible to actually measure the whole population. It is a process that involves collecting from a portion of the population such that the total population is represented. According to Cooper and Schindler (2003), the main reason for sampling is that it lowers costs, provides great accuracy of results, greater speed of data collection and the availability of population elements. In this case, data is to be collected from banks in Bindura, therefore, probability or representative sampling is going to be employed. This enables the researcher to deal with particular units of interest from the population.

3.4 Research Instruments
Parahoo (1997) defines research instruments as tools used for gathering data for the research. The researcher will mostly employ tools such as questionnaires and interviews for this study.

3.4.1 Questionnaires
Abawi (2013) defines a questionnaire as a data collection instrument that is consistent of a series of questions and other prompts for the purpose of gathering information from respondents. They are useful when resources are limited and can be administered electronically, as handouts, face-to-face or through the telephone.

3.4.2 Advantages of questionnaires
- Respondents have all the time to carefully consider their answers.
- possibility of dealing with a large sample at low costs.
- it is a less complicated and therefore quick to administer.
- can measure both qualitative and quantitative data.
- it is a good tool for protection of privacy for participants (Abawi, 2013).

3.4.3 Disadvantages of questionnaires
- they are not ideal for dealing with long and complex issues.
- may be misunderstood due to the use of ambiguous vague wording on the questions.
- validity of data and information depends on the honesty of the respondents.
- there are chances that the questions may be completed but incorrectly.
- they are not suitable for respondents such as the visually impaired.
3.5 Interviews
These consist of ways of collecting data by listening to the people and this can be achieved through recording or filming the responses of the participants. There are four different types of interviews which are, structured interview, semi-structured interview, in-depth interview and focused group discussion. Cohen et al (2007) construe interviewing as a valuable method for exploring the construction and negotiation of meanings in a natural setting.

3.5.1 Reasons for using interviews
- although an interview is a guide, it allows the asking of additional questions.
- there is more control over the order and the flow of questions.
- higher response rates since it is more personal.
- the researcher may explore new paths which were not initially considered.
- it allows for the collection of complete information with greater understanding.

3.6 Data collection procedures
These entail the process gone through in administering instruments as well as the collection of data from the respondents. The process includes the seeking of permission from KCI Headquarters in Harare and this may include sending letters to seek the research access.

3.7 Data presentation and analysis
Quantitative data will be presented through column graphs and pie charts, whilst data will be analysed and interpreted in order to derive meaning and understanding in relation to past related studies. Content analysis will be used to explain the qualitative data collected.

3.8 Validity and Reliability of Findings
Borg and Gall (1989) define validity as the degree to which a test measures what it purports to measure whilst reliability is defined as the stability of measure or degree of consistency of a measuring instrument, where reliable instrument yields the same results for the same individual regardless of time differences of administering. The researcher tried to eliminate
bias to increase validity and reliability by selecting a representative sample and then administering two research instruments, that is, interviews and questionnaires.

3.9 Summary
This chapter concentrates on the research methodology laid down in line with the research objectives and questions. Merits and demerits of research instruments such as questionnaires and interviews were also discussed.
4.0 Introduction
This chapter focuses on the presentation and analysis of data that was collected from the primary and secondary sources of data. The gathered data will be presented using graphs, tables and pie charts to explain the variations.

4.1 Response Rate
A response rate relates to the number of people who actually completed the questionnaires and expressed as a percentage out of the total number of those sampled. Saunders et al (2007) posits that at least 30% of the study response rate can provide relevant information gathered in the field.

4.1.1 Questionnaire response rate
A total of 10 questionnaires were distributed to administration employees (loan officers) and only 8 questionnaires were successfully completed and returned. 2 of the questionnaires were not returned.

<table>
<thead>
<tr>
<th></th>
<th>Questionnaire (loan officers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivered or Arranged</td>
<td>10</td>
</tr>
<tr>
<td>Returned</td>
<td>8</td>
</tr>
<tr>
<td>Response rate</td>
<td>80%</td>
</tr>
</tbody>
</table>

**Source: Primary data**

From the distributed questionnaires there was an 80% response rate. The high response rate is attributed to the fact that the researcher distributed and collected them physically. Only 20% of the respondents failed to return the questionnaires and this was due to time constraints vis-à-vis the workload and expectations.
4.1.2 Interview response rate
All the 8 interviews that were arranged were conducted successfully, giving a response rate of 100%. The reason being the fact that the researcher was once attached to the organisation hence they were willing and able to cooperate.

4.2 Data Presentation and Analysis

4.2.1 Employment period
The purpose of this question was to find out how long the loan officers had been employed by the organisation in order to determine their levels of experience. This could help to determine the level of knowledge they have pertaining to ICT systems and transaction costs experienced by the organisation. The table below shows the employment period at KCI.

Table 4.2.1: Employment period at KCI Microfinance

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>3-5</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>6 and more</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data 2017
25% of the total sample gathered have been working for the organisation for 1-2 years. The other 50% indicates those who have been serving the company for 3-5 years and lastly the remaining 25% has been serving the organisation for 6 and more years.

4.3 Transaction costs incurred by KCI Microfinance
The question sought to identify the transaction costs involved in the money lending business at KCI. This question helps to determine whether KCI incurs transaction costs when lending money to the clients. From the data extracted in the field, the figure below indicates the costs that are incurred by KCI during its business operations (provision of microfinance).
The respondents agreed that the transaction costs that were on the questionnaire are incurred by the organisation. Costs such as stationery, transport and telephone were selected by all the respondents which exhibits that they are major costs in the money lending business. In providing microfinance services, KCI incurs a lot of costs hence the respondents further put down other costs at 75%. However, there are some costs such as postage, marketing, monitoring and salaries which have 75%, 75%, 87.5% and 87.5% respectively. On such costs some respondents were not familiar with them in their line of operation.

4.4 Transaction cost reduction tools used by KCI

The question was asked to have sufficient knowledge regarding the transaction cost reduction tools that are currently employed by KCI. Most employees are always aware of everything that takes place in the organisation, they are in a position to disclose all the tools employed to reduce transaction costs. They are also able to rate their performance since they have detailed information. The figure below illustrates the responses on the current tools employed and their effectiveness to the organisation. A scale ranging from 1-3 was used to rate their effectiveness, whereby 1 means ineffective and 3, very effective.
Source: Primary data

60% of the respondents indicated that establishment fees are very effective, followed by group lending, that was said to be effective at 50%. However, 10% indicated that establishment fees are ineffective whilst 35% of the respondents indicated that group lending is also ineffective. Some of the tools that were rated ineffective in reducing transaction costs include motivation 40% and training 30%. The respondents also indicated other strategies that are used by KCI to reduce transaction costs, represented under others on Figure 4.4.1 above. However, 50% of the respondents indicated that they are not effective as well. Only 20% recognised ICT as effective while 5% indicated that it is very effective. This attributed to the fact that KCI is still using manual data processing although on payment systems it makes use of the merchant account (mobile services payment) which to some extent reduce the transport costs associated with debt collection.

4.5 The use of new ICT systems in transaction cost reduction

The question sought to find the extent to which ICT systems can be used in reducing transaction costs in the organisation. The respondents were requested to rate using a scale ranging from 1-3 where 1 means not sure and 3 means to a greater extent. The results from the respondents are illustrated on figure 4.5.1 below.
Figure 4.5.1: Extent to which ICT systems can reduce transaction costs at KCI

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile services (Musoni banking system and mobile lending)</td>
<td>20%</td>
<td>15%</td>
<td>65%</td>
</tr>
<tr>
<td>Database Management</td>
<td>28%</td>
<td>22%</td>
<td>50%</td>
</tr>
<tr>
<td>Back Office Management of Information Systems</td>
<td>50%</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>Mobile banking</td>
<td>12%</td>
<td>18%</td>
<td>70%</td>
</tr>
<tr>
<td>Card services, POS Machines &amp; ATMs</td>
<td>25%</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>Mobile computing</td>
<td>24%</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Primary data

Analysing the data above from the respondents, it shows that most of the ICT systems can be used in the organisation. The ICT systems that were rated to a greater extent include mobile services (Musoni system) with 65%, mobile banking (Ecocash Merchant) with 70%, database management and mobile computing are at 50% whilst 40% of the respondents indicated that card services can be used to a greater extent. However, some of the respondents argued that these systems can be used to a lesser extent although such individuals account for a smaller portion of the sample. 50% of the respondents indicated that they have no idea about back office management of information systems.

4.6 Benefits of using ICT systems

This question intended to unravel the benefits that may accrue due to the use of ICT systems.
Figure 4.6.1: Respondents on ICT benefits to KCI

Source: Primary data

76% of the respondents shows the benefits that can be brought due to the adoption of ICT at KCI Microfinance and such benefits include motivation and acquisition of new skills by the employees. They indicated that workloads would be reduced through the Musoni banking system and Ecocash Merchant. The costs of human errors will be reduced due to high worker morale. However, 24% of the employees did not respond to this question since they left the answer spaces blank. This may point out to the fact that they are not well informed regarding the subject of ICT systems. On another dimension, it is possible that they did not view ICT systems as having the capacity to bring merits to their organisation.

4.7 Factors hindering ICT systems adoption by KCI

The question sought to find out the factors that are limiting the organisation from implementing ICT systems. This question will highlight why KCI has not totally utilised the ICT systems such as mobile lending and the Ecocash merchant. Results would highlight a basis for recommendations showing how successful the company can be if they adopt new ICT systems as a transaction cost reduction tool.

All the respondents cited the high costs that are associated with ICT products such as internet, mobile services and credit card use since there is need to pay the service provider. 65% pointed to the fact that they lack skill on ICT systems since they are complicated and there is need for training on the subject but it is expensive for the company hence only a few
understand ICT systems. 50% of the respondents cited the issue of time frame as a hindrance. This is the time taken for systems to be fully adopted in the organisation as a whole.

4.8 ICT as threat, challenge or opportunity
This question was asked in order to identify the employees’ opinions towards ICT systems in their organisations. KCI employees were asked whether they view ICT as a threat, challenge or opportunity. This is instrumental in determining the direction that can be taken by the organisation regarding adoption of ICT. The results are shown on figure 4.8.1 below.

Figure 4.8.1: ICT as a threat, challenge or opportunity

Source: Primary data

55% of the respondents indicated that ICT systems can be an opportunity to KCI Microfinance whilst 15% view it as a challenge to the organisation. 30% of the respondents indicated that they are not sure whether ICT is an opportunity or challenge to their organisation.

4.9 Interview findings
The researcher conducted interviews with the management and ICT head to gather more useful data. All managers and the ICT head agreed that they are incurring transaction costs in the microfinance business. 68% of the respondents agreed that these costs directly impact on their level of profits which is the reason why they employed various tools to reduce the transaction costs. 75% of the respondents indicated that the tools have not performed as expected thus they are failing to meet organisational goals. 70% of the respondents agreed that the adoption of new ICT systems can be effective to their organisation, holding other
factors constant. The limiting factors include costs associated with ICT investments as well as lack of skilled employees.

4.10 Summary
This chapter was mainly focused on data presentation and analysis of the findings in the field through the use of questionnaires and interviews. Results were shown diagrammatically or in tabular form. The information in this chapter helps to draw conclusions and recommendations in the following chapter. The following chapter interprets the results and draws conclusions of the findings in this research.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter presents findings, conclusions and recommendations based on the previous chapter. Conclusions and recommendations were arrived at after making an analysis on the findings of the research.

5.1 Summary
The following is a summary of the findings of this research:

(a) The findings show that KCI incurs transaction costs in its money lending business and this is mainly attributed to manual data processing. They have employed tools to reduce the transaction costs, however, only a few are performing the expected functionality and most have failed.

(b) The study also indicates that KCI has not yet adopted the new ICT systems in order to reduce the transaction costs.

(c) The findings also clearly show that new ICT systems can effectively reduce transaction costs in the money lending business, for example, the use of mobile lending services and credit card services can positively impact on the cost structure of the organisation. Eventually, adoption of new ICT systems leads to the reduction in transaction costs related to the money lending business therefore, debt collection and loan underwriting costs are reduced.

(d) Adoption of ICT systems can also bring vast benefits to the company and these benefits include, improvement in business performance hence translating to productivity and profitability of the organisation. Overall systems of the company can also be improved, for example, security and administration. This in turn enhances fair chances of customer retention since the cost of borrowing would be reduced, reflected in the interest rate, thereby making the organisation attain a competitive edge.
(e) Findings of the research also indicate that there are factors which hinder KCI from investing in new ICT systems, for example, the institution lacks skilled employees who can perform the ICT duties. Furthermore, competitors may also gain access to the organisation’s confidential data and information hence by adopting new ICT systems, the organisation risks losing privacy.

5.2 Conclusions
Transaction costs are a major problem that KCI is facing in its business conduct of microcredit services provision. There are several tools that have been employed to mitigate these costs, for example, establishment or application fee. The question being, can the adoption of new ICT systems as a transaction cost reduction tool, help the organisation in the day to day operations of the business. The research gives a literature review, evaluating the transaction cost reduction tools and ICT systems. A sample of 10 employees was selected to represent the whole population using non random sampling techniques. Questionnaires were distributed, interviews were conducted and the gathered data was presented and analysed using tables, graphs and pie charts.

The study found out that some of the challenges that the organisation (KCI) faces include the fact that quite a number of the employees do not have a clear understanding or sufficient knowledge regarding ICT systems in general, let alone the modern inventions. Hence they are also not well informed regarding the benefits that the systems could bring about to the organisation.

However, it is evident that the adoption and use of new ICT systems such as the Musoni banking system which is a mobile lending platform with the capacity to send reminders to clients, will reduce transaction costs in the long run.

5.3 Recommendations
The following recommendations were made basing on the findings and conclusions that were drawn by the researcher.
5.3.1 KCI should adopt new ICT systems
The company (KCI) should embrace and fully adopt ICT systems in order to reduce the transaction costs involved in the microfinance business. Parikh (2006) posits that ICT systems have proved their worth across the globe since they lead to reduction in transaction costs therefore helping businesses to attain their goals such as profits and growth. Also, ICT systems are not limited to transaction cost reduction only, it also helps positively in other areas such as customer care services, monitoring and worker motivation. The adoption of ICT systems eventually leads to the reduction in transaction costs meaning establishment fees can be eliminated and interest rates would also be lower hence impressing the customers, thus attaining customer loyalty and retention. In this regard KCI attains a competitive edge.

5.3.2 Employee Training towards ICT systems
KCI engages in the training of its employees at least two times a year through the holding of seminars. Such seminars would be targeted at teaching employees on ways to reduce credit risk, customer care and compliance with regulator (RBZ) requirements. Therefore, if ICT lessons are introduced during these training sessions, ICT systems adoption would be easy since most employees would have knowledge pertaining to ICT systems. The training of KCI employees should be a priority since globalisation is the order of the day and there will be a time when manual data processing and lending will be a practice of the past.

5.3.3 Building rapport or partnership with local mobile network providers
KCI should enter into partnerships with mobile network operators (local) such as Telecel, NetOne and Econet. Such partnerships would enable microfinance services provision to customers through a mobile lending system. This would enable KCI to easily trace and underwrite the loans, given that people will be registered with these network providers hence their details and information would be available including their whereabouts. Thus it would impact positively on transaction cost reduction associated with credit risk. This means there would be cost reduction relating to debt collection since payments will be made over the mobile devices. In Kenya, such digital microfinance systems are common where Vodacom inter alia, provides such facilities in partnership with various microfinance institutions. In this case, the company makes use of these mobile operators to establish mobile biller codes on platforms such as Ecocash, Telecash and Netcash. This enables clients to make their
repayments directly into the company account thus reducing transport and other debt settlement related costs.

5.3.4 Adoption of the Musoni banking system
The Musoni banking system is a tablet application which carries functions such as accounting, reporting, loan processing as well as savings. KCI can partner with mobile money transfer providers such as Ecocash therefore enabling the movement of funds through the mobile phones. This system is vital in the money lending business since it includes its own short message service (sms) platform whereby reminders are send to the clients automatically and it also enhances data capturing in the field. Therefore, there would be no need to spend lots of valuable time writing diaries, let alone incur costs on purchasing plenty of them. In this regard, KCI can use this system since it is cheaper given the number of transactions which are cut. Players in the money lending business such as Virl Finance are using this system and it lowers transaction costs by 50%.

5.3.5 Using Software as a Service (SaaS)
SaaS is a common platform that is used in ICT investments in a bid to minimize capital costs associated with the launching of ICT systems, therefore, KCI should utilise such a system since it is relatively cheaper in terms of licencing software service delivery allowing only subscription costs. The system includes several business applications such as accounting, management of information systems and payroll. Put simply, the organisation only deal with hiring costs and does not have to worry with the complete infrastructure which may be costly and takes long to put in place.

REFERENCES


**APPENDICES**
INTRODUCTORY LETTER

Bindura University of Science Education
Faculty of Commerce
Department of Intelligence and Security
PO Box 1020
Bindura

Tel: +263 271 6372-2, +263 271 7531-2, +263 271 7621-4

16 March 2018

Dear Sir/Madam/To whom it may concern

REF: RESEARCH PROJECT ASSISTANCE

My name is TinaisheLivewellRufasha, 4th year student at Bindura University of Science Education undertaking a Bachelor of Commerce Honours in Financial Intelligence Degree. I am doing a research in partial fulfilment of my degree program and the research topic reads:

“Adoption of Information and Communication Systems Technology as a transaction cost reduction tool to business.”

I hereby request for permission to carry out my research with your organisation. The information obtained will be kept confidential and used only for academic purposes.

Your cooperation will be greatly appreciated

Yours Sincerely

TinaisheLivewellRufasha

Email address: trufasha26@gmail.com
Cell number: +263776856536

APPENDIX 2: Instructions of completion
Please tick in the appropriate boxes and insert your answers in the spaces provided. You are kindly requested to complete all the questions. Thank you for your contributions.

Section A

How long have you been in this organisation?

1-2 years

3-5 years

6 or more years

Section B

Which of the following transaction costs do you incur in your organisation?

1.
2.
3.
4.
5.
6.
7.

If there are any other costs, please write them below

What are the tools that are currently employed by your organisation to reduce transaction costs and rate their effectiveness using a scale of 1-3?

<table>
<thead>
<tr>
<th>Scale</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tools</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
</tr>
<tr>
<td>1</td>
<td>Not effective</td>
</tr>
<tr>
<td>2</td>
<td>Effective</td>
</tr>
<tr>
<td>3</td>
<td>Very Effective</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools</th>
<th>Tick</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment/Application fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group lending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal auditing and controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information &amp; Communications Technology (ICT)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If there are any others, please specify

Which ICT systems can be used in your organisation and rate them using a scale of 1-3, the extent to which they can reduce transactional costs in your organisation.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Not sure</td>
</tr>
<tr>
<td>2</td>
<td>Lesser extent</td>
</tr>
<tr>
<td>3</td>
<td>Greater extent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ICT Systems</th>
<th>Tick</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile computing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Card Services, POS machines &amp; ATMs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile banking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back Office Management of Information Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Database Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Services (Musoni banking system)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
If there are any others, please specify
........................................................................................................................................
........................................................................................................................................

What are the merits your organisation may derive through the adoption of ICT?
........................................................................................................................................
........................................................................................................................................

What are the challenges that you may face when implementing ICT in your organisation?
........................................................................................................................................

How do you view ICT in your organisation?

1. An opportunity [  ]
2. A threat [  ]
3. A challenge [  ]
4. Not sure [  ]
APPENDIX 3: Research Interview Guide for KCI Management and ICT Head

Interview Questions

What are the current transaction cost reduction tool that are being employed by your organisation?

How effective are these tools in reducing transaction costs?

To what extent can new ICT systems help your organisation in reducing transaction costs?