

Will Kenya's biggest bank be Safaricom?

Mobile commerce and banking spreads across Africa

By Denis Gathanju

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FACT: Information technology has been the biggest driver of the global economy for the last few years and has subsequently transformed lives across the globe, especially in the developing world.

FACT: Mobile telephony is the single biggest technological transformation in Africa, akin to the industrial revolution in Europe that heralded the expansion of European economies and creation of wealth for its people.

“Mobile telephony is the single biggest technological transformation in Africa.”



Though still in its nascent years, telecommunications, especially mobile telephony, is the single biggest technology that is rapidly changing lives across Africa. Less than two decades old, mobile technology is influencing every facet of African life today. Rural, remote villages without an electricity connection are today connected to the outside world, thanks to the mobile technology revolution that has swept across Africa.

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metals, Africa is truly living up to its billing.

Safaricom's M-Pesa sets the trend

While the introduction of mobile telephony was considered to be Africa's adoption of modern telecommunications trends, Africa finally announced its arrival about three years ago when it pioneered a value added service that rang closer home to meet the demands of millions. The service has, in essence, transformed the mobile telecommunications industry, not only in Africa, but in much of the developing world as well.

When Kenya's leading mobile telephony firm Safaricom first introduced M-Pesa (Mobile Money), its flagship money transfer application, in March 2007, Safaricom thought they were merely introducing an innovative business application that was meant to meet the needs of small-scale business people. However, it was laying the foundation of a much-needed service that would resonate across Africa and spread into other developing markets such as India.

The M-Pesa service is billed by many in the telecommunications industry as the perfect value added service that is helping transform lives in Kenya and across Africa. Many analysts are even comparing

the Kenyan innovation to Silicon Valley, California, which has transformed the global IT industry.

From its humble beginnings as a money transfer service that was meant to ease small monetary transactions between small businessmen in Kenya, M-Pesa is today one of the most efficient mobile commerce applications in Kenya, and has been interlinked with many businesses and functions. The service has even transformed in to a bank account

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for many Kenyans, who have for many years been sidelined by commercial banks due to their low incomes and low deposits.

According to Safaricom, more than 525.84 billion Kenya Shillings (Kes) (\$ 6.573 billion US) has been transferred to date since M-Pesa was first introduced in March 2007. Safaricom notes that at least 20



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billion Kes (\$ 250 million US) is being transferred every month, with monthly transactions increasing by at least 30 per cent.

M-Kesho: Convergence of mobile telephony and banking

And if the latest industry trends are anything to go by, Kenya rightfully deserves the accolades as the leading mobile financial services innovator. The latest mobile commerce innovation comes in the partnership of Equity Bank, Kenya's largest bank by customer base, and Safaricom, Kenya's largest mobile company and the most profitable company in East and Central Africa. M-Kesho, an innovative bank account that can be accessed via the mobile phone, is the product of this partnership.

The new M-Kesho service is a value addition to the existing M-Pesa application in that it not only allows M-Pesa subscribers access their Equity Bank accounts, but also encompasses M-Pesa subscribers who do not have bank accounts. And what is more is the fact that subscribers have access to other banking services and products such as access to loans.

According to Dr. James Mwangi, Equity Bank's CEO, the new M-Kesho service is a boon, especially for the

rural folks who own mobile phones, but lack a bank account. The service, notes Mwangi, will allow users to deposit as little as 100 Kes (\$1.25 US) in their accounts and easily send and withdraw money from their mobile phone accounts from any of the more than 20,000 M-Pesa agents countrywide.

What is even more attractive about this new mobile banking technology is the fact that the accounts do not attract any monthly charges nor have a minimum operating balance. And like a normal bank account, the cash deposited into the account will earn an annual interest depending on the amount deposited.

Michael Joseph, the outgoing Safaricom CEO says the new service will go a long way into instilling a saving culture amongst Kenyans, especially the ones that do not operate a bank account because of the ease of transactions and lack of bank charges and minimum operating balance.

Says he: "We developed this product based on a need for an affordable and convenient bank account where customers can save and earn interest, access financial services like insurance and emergency credit."

According to the National Financial Access Survey conducted last year, Kenya has only 32 per cent of



its bankable population enjoying formal and informal banking services. This means that a sizeable chunk of Kenyans were not enjoying banking services. This is in stark contrast to the millions of Kenyans who own a mobile phone and operate an M-Pesa account. According to the Communications Commission of Kenya, Kenya has more than 19 million people owning a mobile phone, representing 49.7 per cent of the population, while about 12 million people have an M-Pesa account.

Says Dr. Mwangi: “M-Kesho from Safaricom and Equity Bank will propel financial services provision in Kenya to the last mile. When all the M-Pesa accounts are finally changed into bank accounts, Kenya will top the list of the most banked developing country in the world. We are currently signing up an estimated 8,000 accounts per day, arguably the largest number of customers we have handled in the history of the bank.”

The phenomenal growth in mobile banking is not only being experienced in Kenya alone, as other African nations jump onto the bandwagon.

In South Africa, Vodacom, the largest mobile communications company in the southern African nation has recently introduced M-Pesa to its subscribers. The model is similar to the one currently offered by Safaricom in Kenya. According to Vodacom, the new service is offered in partnership with Nedbank and is mainly targeting the more than 13 million unbanked South Africans. Vodacom is also offering the M-Pesa service in Tanzania.

Said Pieter Uys, Vodacom Group CEO in a statement: “There are other cell phone banking products and money transfer services out there, but there quite simply is nothing like M-Pesa. The beauty of this service is the ease and speed with which people can send money to each other anywhere in the country.”

Vodacom’s commercial director Romeo Kumalo says the telecom’s target is to sign up 10 million customers within three years. According to Mark Taylor the MD of Vodacom Payment Services,

securing more than 10 million users on the new M-Pesa service will not only be more than 50 per cent of Vodacom’s subscriber base, but will be a springboard for the mobile telephony company that will give it enough traction to bring in more mobile subscribers to their network.

Zain: The world’s biggest mobile commerce operator

Zain, Kenya’s second largest mobile company and one of the continent’s largest mobile companies (which was recently acquired by India’s Bharti AirTel) has also recently unveiled its Zap mobile banking application in Kenya, Uganda and Tanzania. The mobile firm has also launched the mobile banking service in other countries including Sierra Leone, Niger and Malawi.

Currently, Zap is Africa’s most comprehensive and accessible mobile commerce service, now serving over 150 million people in six countries on the continent. According to Zain, the new service is allowing its subscribers to access advanced financial services through their mobile phones.

With a population of just under one billion people in Africa, most of these people, some from some of the world’s poorest countries such as Niger and Malawi, are accessing financial services for the first time.

According to Zain, which is currently operational in a dozen African countries, its new Zap service makes it the world’s biggest mobile commerce operator in terms of geographic coverage, service functionalities and connected subscribers. Aside from cash transfers, the new service from Zain allows its subscribers to perform a series of other financial transactions from their cell phones that include paying for their utility bills.

According to Zain, Zap is an integral part of Zain’s pioneering One Network platform, which means that its customers from one country will be able to enjoy the same services when traveling to another country with a Zain network. The One Network

“Mobile companies in Africa will double up as commercial banks for the poor.”

platform offered by Zain allows its customers to cross geographic borders without any roaming surcharges while they can make calls and text at local rates at the same time.

It is, therefore, an indubitable fact that the ability to pay for goods and services, without necessarily carrying hard cash is universally appealing, more so in Africa where crime rates are high. This remains one of the main reasons why mobile banking is such an appealing proposition in Africa and why the continent leads the rest of the world in embracing mobile telephony commerce (m-commerce).

And with the millions of unbanked Africans seeking alternative financial service avenues, all indications point to the mobile phone in their hands as their most probable bank account. Simply put, mobile companies in Africa will double up as commercial banks for the poor.