

BANKING THE UNBANKED AND TRANSFORMING LIVES:

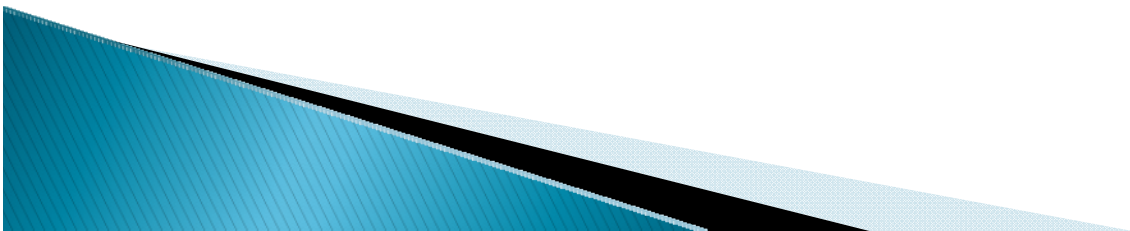
A CASE STUDY OF M-PESA IN KENYA

Prepared for CPRC Conference “Ten Years of War against Poverty
What Have We Learned Since 2000 and What Should We Do 2010–2020?”
Hulme Hall – The University of Manchester, 9 September 2010

by Mike Nxele

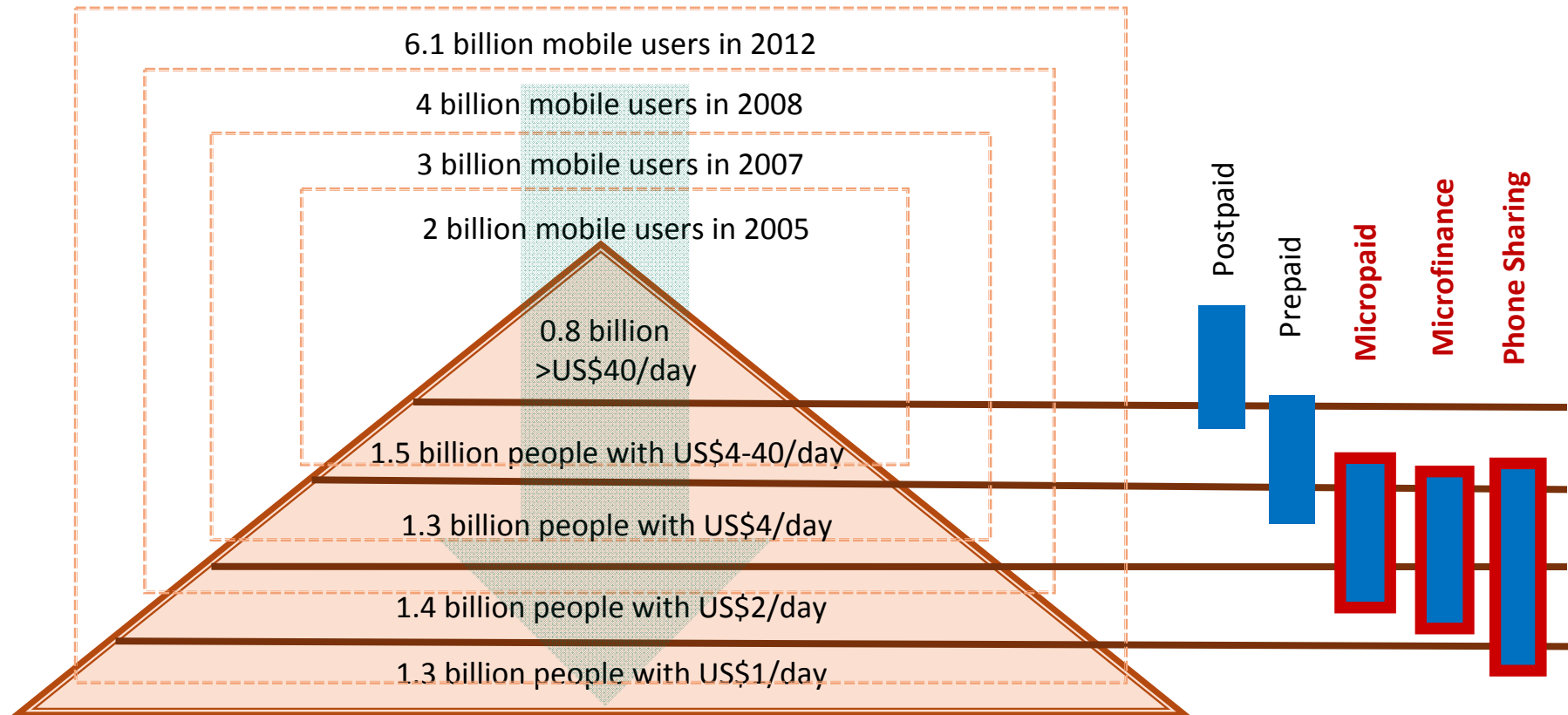
Introduction (global)

- ▶ Only one billion of the world's 6.5 billion people have bank accounts, yet there are now more than 4 billion mobile phones.
- ▶ 80% of the population in UN designated Least Developed Countries (LDC's) are unbanked
- ▶ 2.7 billion people in developing countries have no access to financial services



Introduction (global)

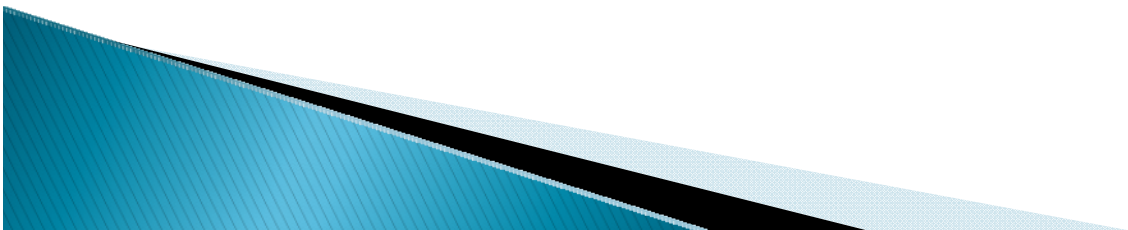
Trickling down the Global Income Pyramid



By **2012**, there will be **6,1 billion mobile subscribers** reaching ever lower income populations

Introduction (Africa)

- ▶ Across Africa, Latin America and Asia there are currently over a billion people who don't have a bank account but do have a mobile phone. This number is set to grow to 1.7 billion by 2012
- ▶ In Africa it is estimated that only 25% of the population have bank accounts and there are 230 million unbanked households
- ▶ The weighted average percentage of population with access to financial services is approximately 23%, which makes it comparatively lower than in other regions



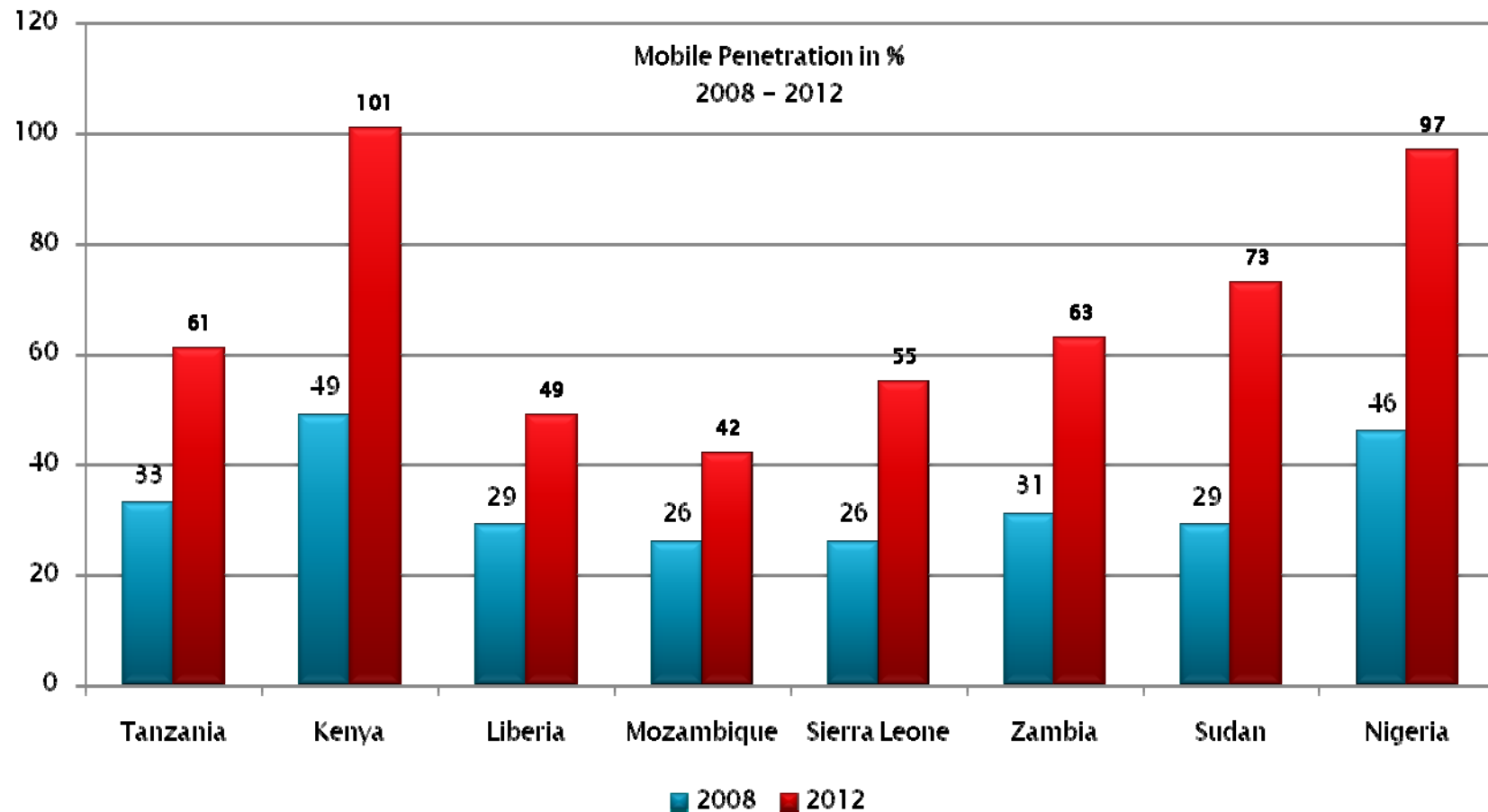
Introduction (Africa)

Access to Financial Services & Mobile Penetration:

Country	Access to Financial Services	Mobile Penetration	
		2008	2012*)
Tanzania	5%	33	61
Kenya	10%	49	101
Liberia	11%	29	49
Mozambique	12%	26	42
Sierra Leone	13%	26	55
Zambia	15%	31	63
Sudan	15%	29	73
Nigeria	15%	46	97

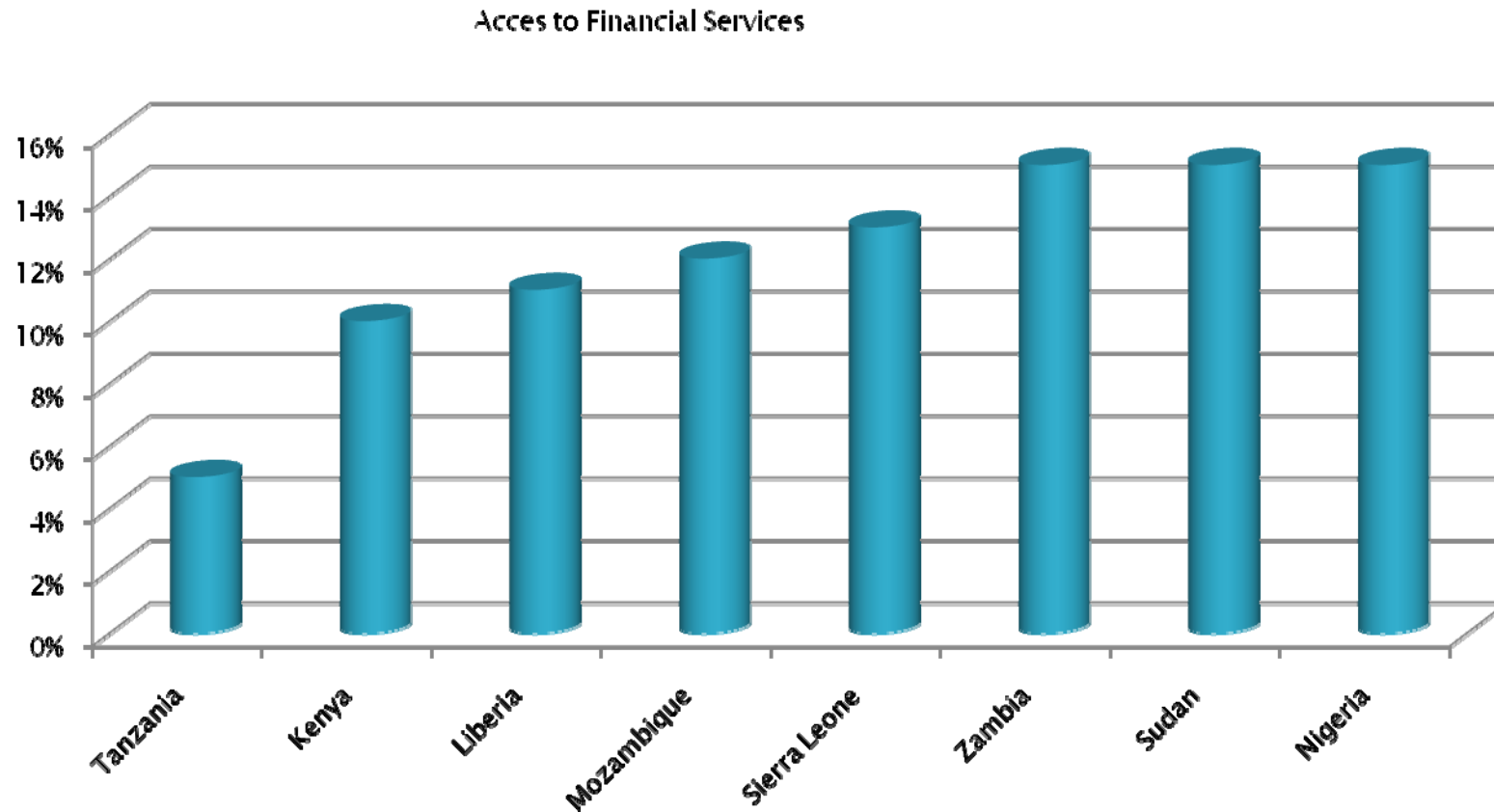
Sources: Mobile Penetration – Wireless Intelligence
Access to Financial Services – The World Bank, Finance for All?
*) projected

Introduction (Africa)



Sources: Mobile Penetration – Wireless Intelligence
Access to Financial Services – The World Bank, Finance for All?

Introduction (Africa)



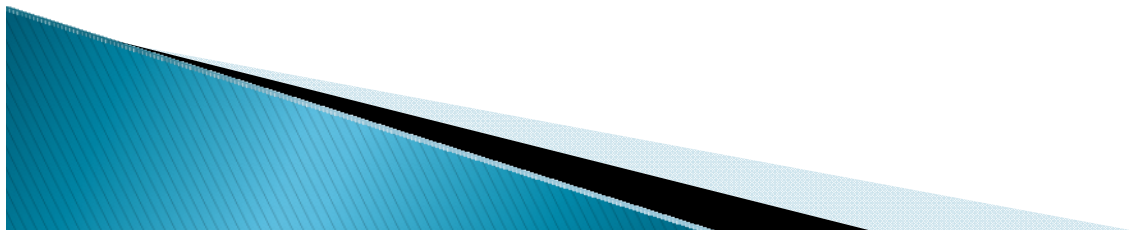
Sources: Mobile Penetration – Wireless Intelligence
Access to Financial Services – The World Bank, Finance for All?

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A CASE STUDY OF M-PESA IN KENYA

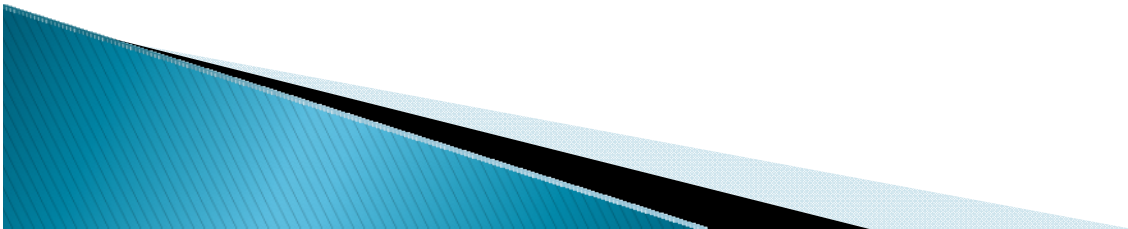
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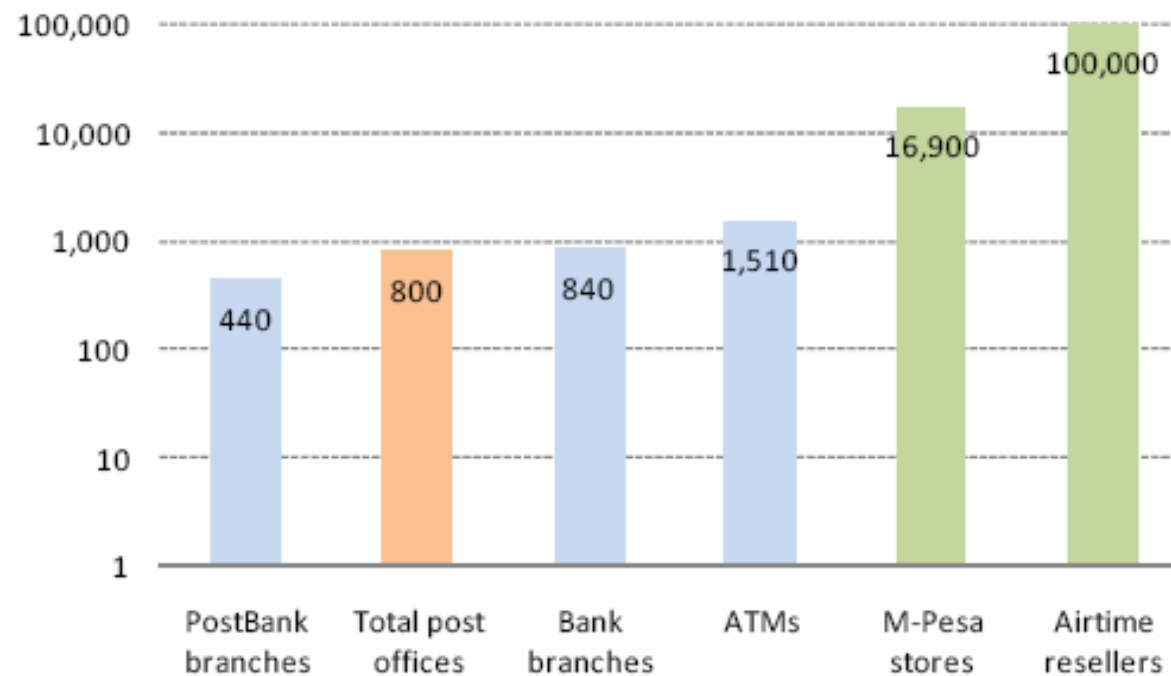
Introduction (Kenya)

- ▶ Kenya has a population of nearly 40 million of which 78% live in rural areas. This population is served by 840 bank branches and 1510 ATMs
- ▶ As a result only 19% of Kenyan adult population has access to a formal bank account
- ▶ On the other hand mobile penetration in Kenya has increased rapidly over the past 8 years rising from a mere 2% in 2001 to 39% in 2008
- ▶ Mobile penetration in Kenya is focused to reach 67.5% in 2012



Introduction (Kenya)

Financial services in Kenya:



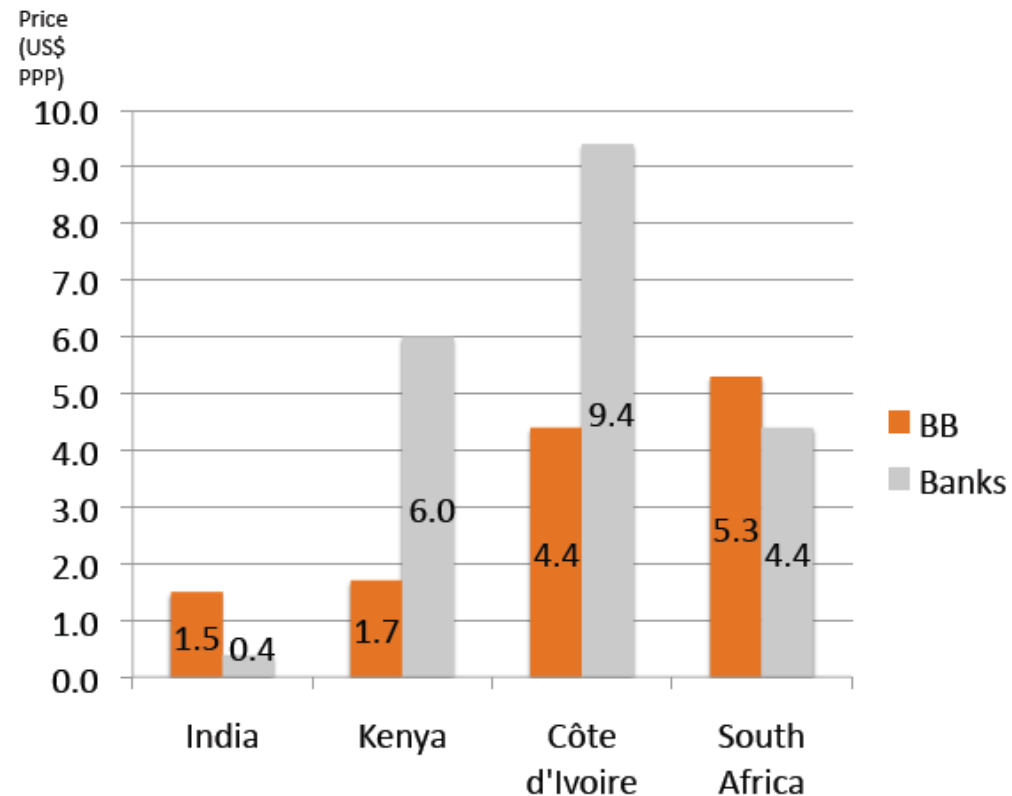
Source: Mas, Radcliffe, 2010, Mobile Payments go Viral: M-PESA in Kenya

Introduction (Kenya)

Price disparities vary widely from country to country:

Banks in India and South Africa face political pressure to offer simplified accounts ('no-frills' in India and 'Msanzi' in South Africa) that are not profit-oriented. In these countries, BB is more expensive than banks.

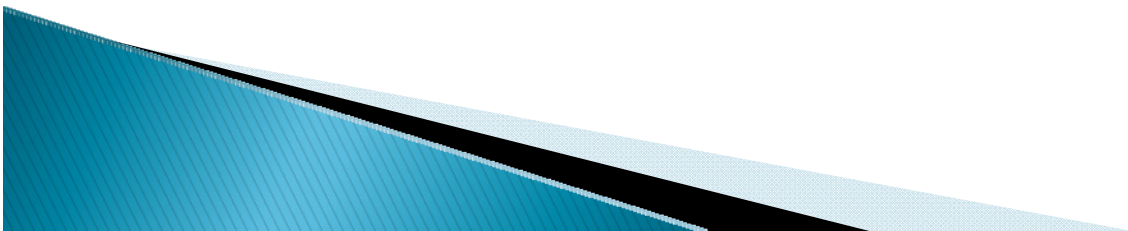
Kenyan banks, in contrast are more expensive. Could this be one reason for the success of M-PESA?



Note: Analysis based on average of all 8 use cases. Brazil banks not included since same products were used for branchless banking and bank prices.

M-PESA – Value proposition

- A form of Money Transfer Service transacted through the mobile phone in Kenya
- It handles money transfers; airtime; top-ups and transfers; payment for utility bills
- Introduced in March 2007 by Safaricom, the leading mobile operator



M-PESA – Value proposition

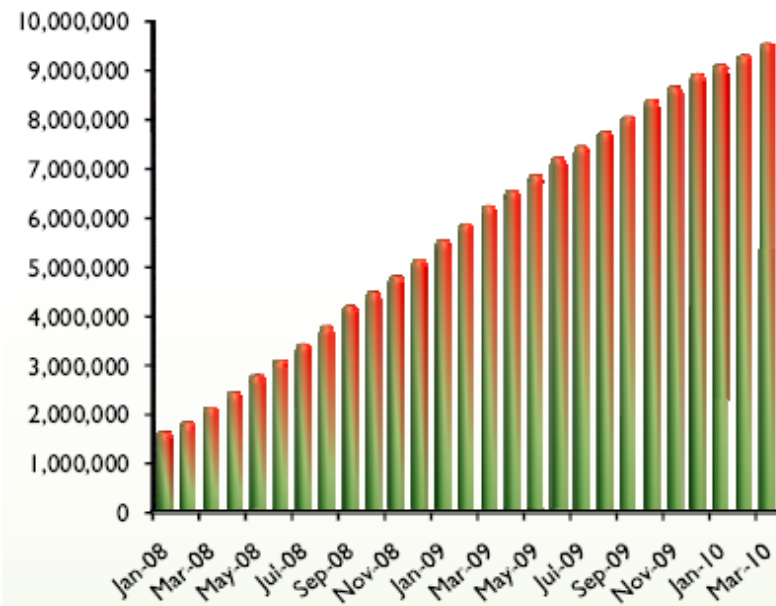
- ▶ Mobile Remittances are cheaper
- ▶ Transaction costs for domestic transfers have been cut by 10 times in Kenya with mobile-payments



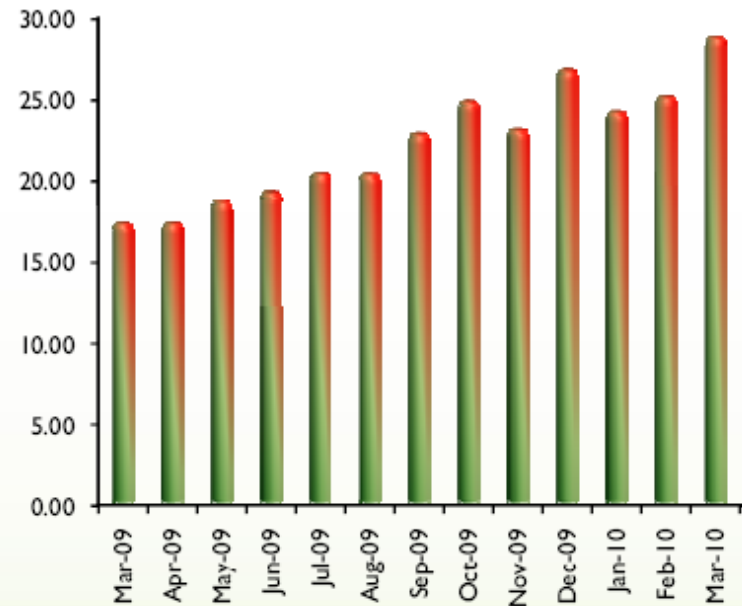
To send 9 €, Western Union asks a commission of 50 %,
M-Pesa mobile service requests 5 %

M-PESA – Growth

Registered Users



Monthly Value of P2P Transactions
Billions



Source: www.safaricom.co.ke

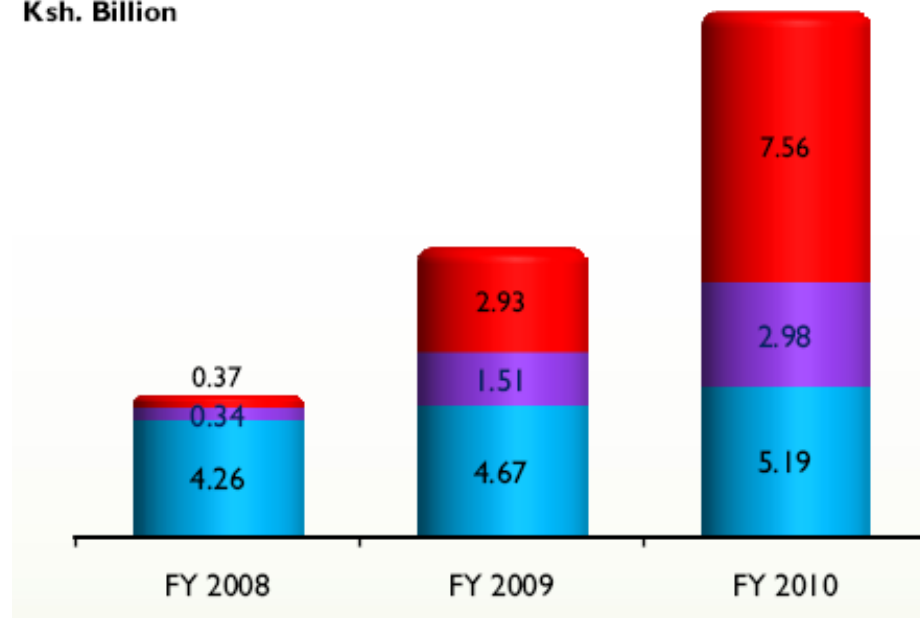
M-PESA – Value proposition

Success Story

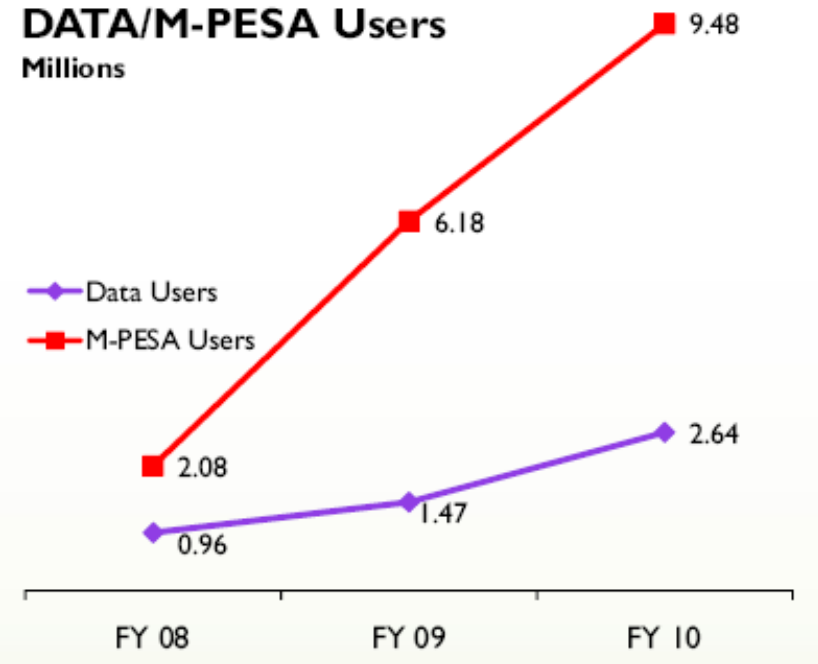
	SUBSCRIBERS	VALUE OF TRANSFERS	RETAIL OUTLETS
March 2007	–	–	–
June 2007	110 000	–	–
March 2008	2,075m	US\$190m	2262
March 2009	6,175m	US\$1,6bn	8650

M-PESA – Growth

DATA Revenue
Ksh. Billion



DATA/M-PESA Users
Millions



Source: www.safaricom.co.ke

M-PESA – Value proposition

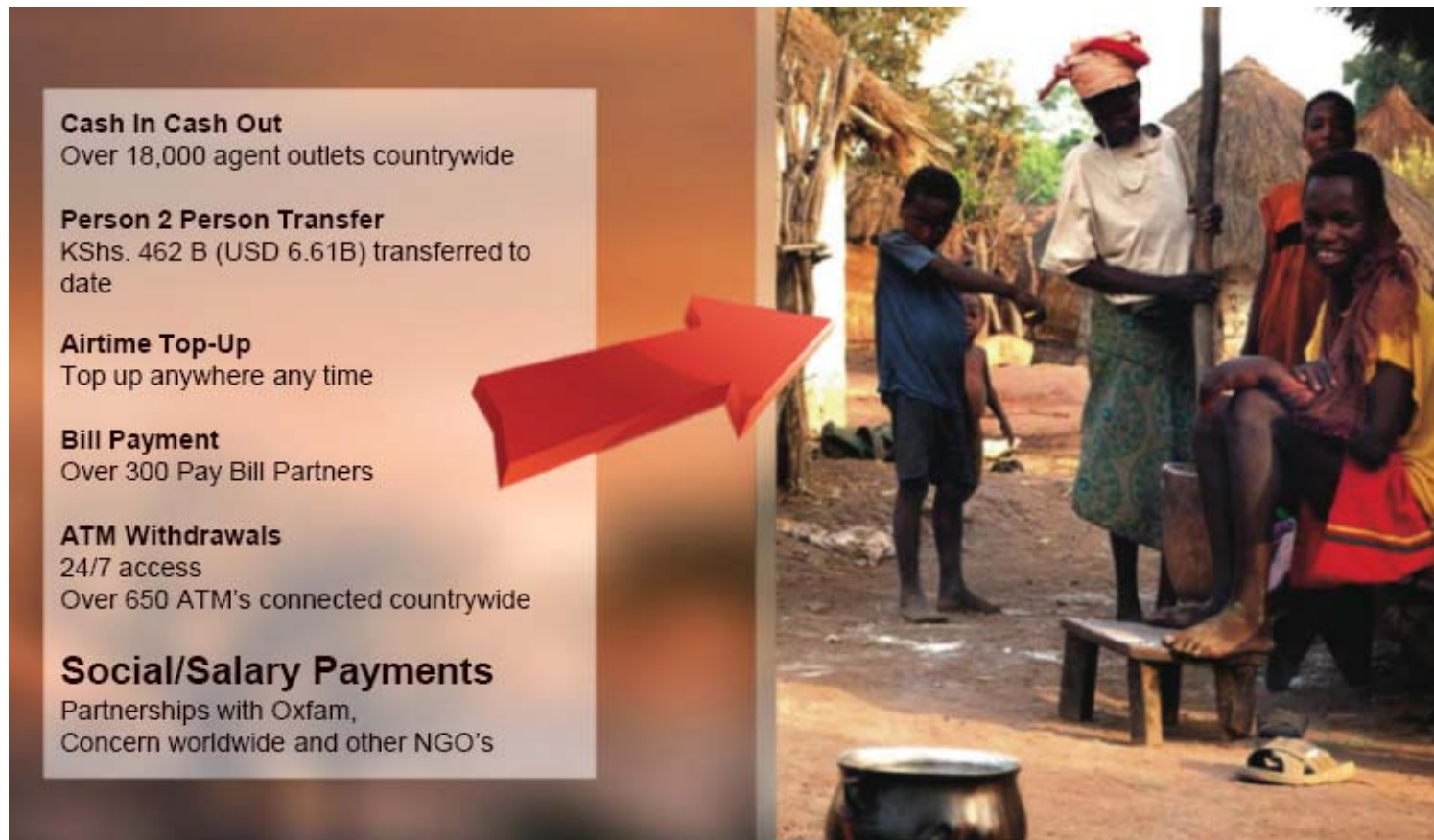
► Usage:

- 51.8% received money in 2009 compared to 16.5% in 2006
- M-PESA used by 39.9% of all adults
- 26.3% of all M-PESA users also save money on their phones
- M-PESA is perceived as:
 - least risky by 26.2% of respondents
 - least expensive by 31.7% of respondents
 - fastest by 64.3% of respondents
 - easiest to get by 47.8% of respondents



M-PESA – Value proposition

Available on M-PESA



Cash In Cash Out
Over 18,000 agent outlets countrywide

Person 2 Person Transfer
KShs. 462 B (USD 6.61B) transferred to date

Airtime Top-Up
Top up anywhere any time

Bill Payment
Over 300 Pay Bill Partners

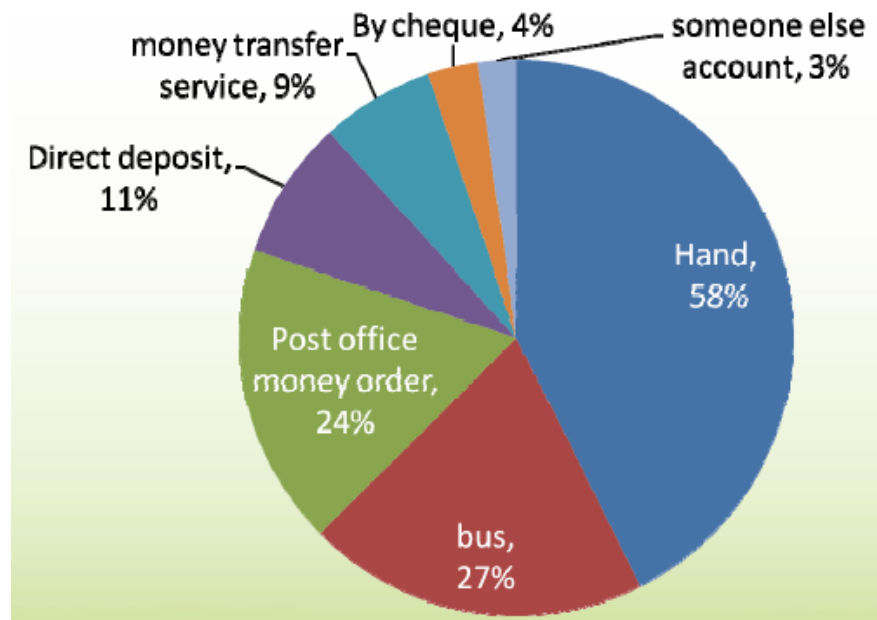
ATM Withdrawals
24/7 access
Over 650 ATM's connected countrywide

Social/Salary Payments
Partnerships with Oxfam,
Concern worldwide and other NGO's

The photograph on the right depicts a rural village scene. In the foreground, a woman in a yellow and red dress sits on a wooden stool, smiling. Behind her, another woman in a white top and patterned skirt stands, holding a long wooden staff. To the left, a young boy in a blue shirt stands. The background shows traditional thatched-roof huts and a dirt path. A large red arrow points from the text box on the left towards the photograph.

M-PESA – Popularity

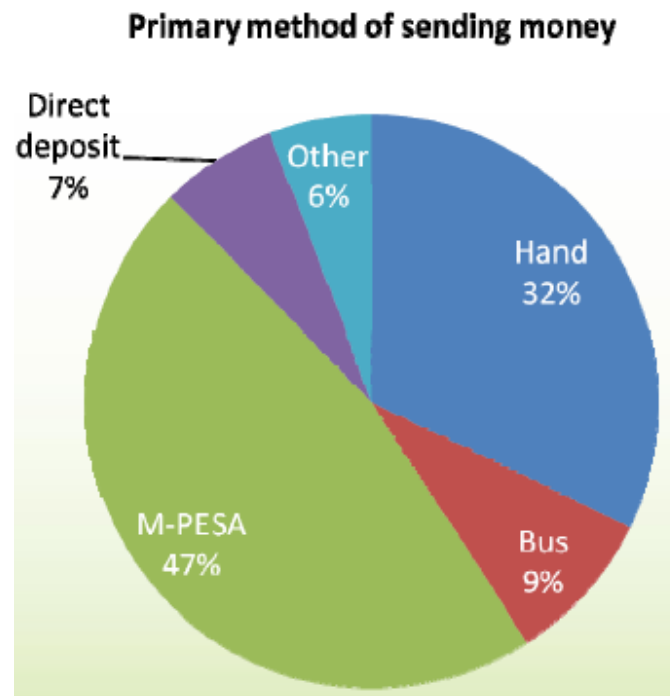
How did people send money within Kenya?



Source: www.sfaricom.co.ke

M-PESA – Popularity

How do people send money now?



Source: www.safaricom.co.ke

M-PESA – Uses

M-PESA was used for:

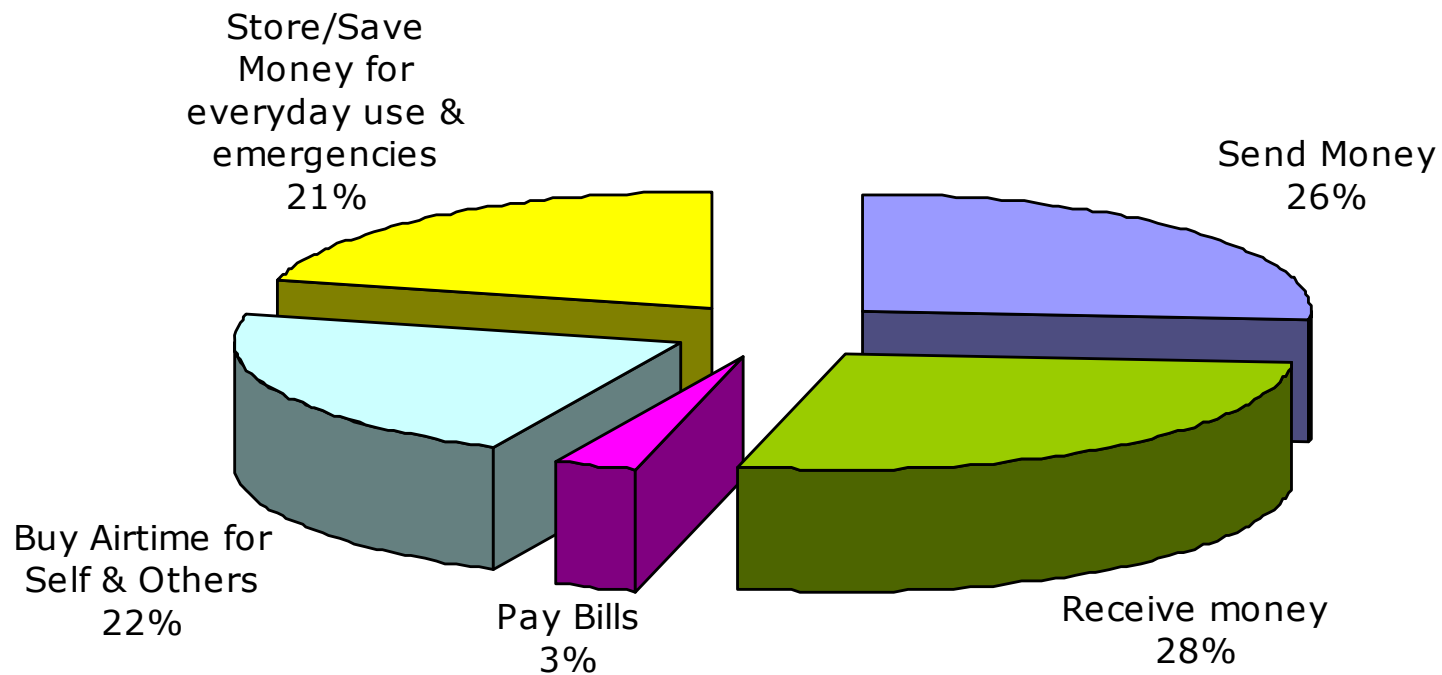


M-PESA – Uses

M-PESA is used for:

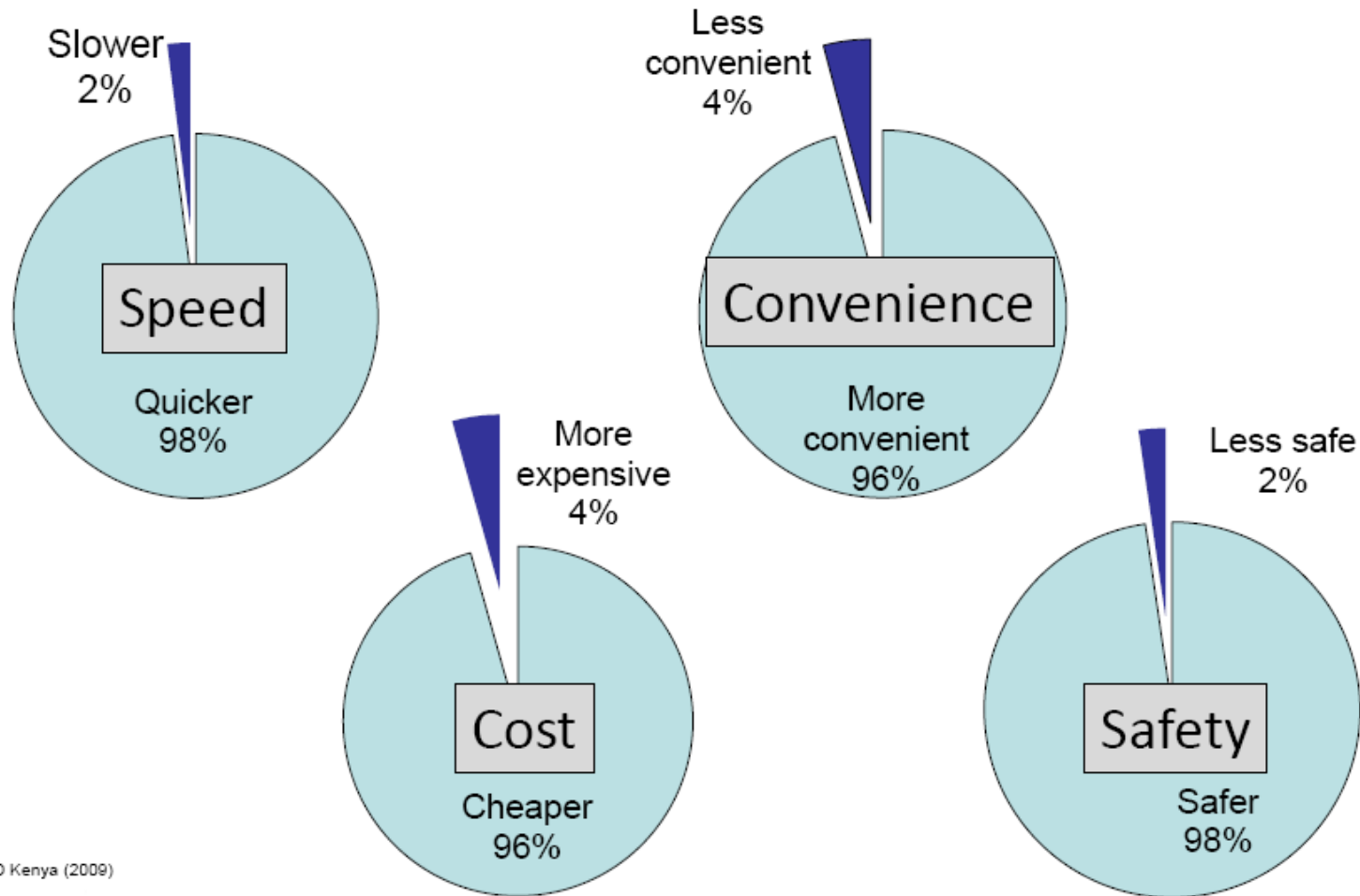
- Airtime purchase
- Utility bill payments
- Bulk cash payments (salary)
- International money transfer
- ATM withdrawals
- Dividend payment
- Social/Charity collections
- Banking

What customers are using M-PESA for



Source: FSD Kenya 2009 Survey

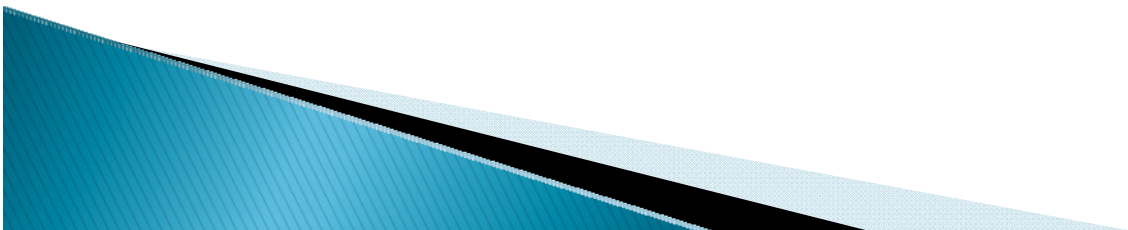
M-PESA – Reasons



FSD Kenya (2009)

M-PESA – Reasons

- ▶ M-PESA is affordable:
 - Send money for KShs 30/==
 - Deposits are free
 - SMS are free
 - Full tariff is widely available
 - Free to register (no monthly charges)
 - The Agent will not charge you for M-PESA transactions



M-PESA – Reasons

Money Transfer Charges in Kenya

Amount (Kes)	M-PESA	PostaPay	Western Union	MoneyGram
1,000	55	75	-	300
5,000	75	150	100	480
10,000	105	300	200	550
15,000	175	650	400	550
20,000	175	650	400	700
30,000	200	1,200	1,000	700
35,000	200	1,200	1,000	1,200

Source: FSD

M-PESA – Reasons

- ▶ M-PESA is secure:
 - Customers have a secret PIN required to transact
 - Customers can change PIN as preferred
 - All SMS from SIM to M-PESA are encrypted
 - M-PESA security is as good as for internet banking
 - M-PESA electronic value is backed by real money in a conventional bank account
 - The Bank is held by Trustees; not by Safaricom

M-PESA – Impact

Suitor pays dowry using M-Pesa

Why we can't do without M-Pesa

And being an M-Pesa beneficiary, I beg to differ with Finance minister John Michuki and the lot who are of the view that Safaricom and M-Pesa are doing money business by transferring money

may perform a number of useful functions

By NATION Reporter

service everything to transfer money to people in various destinations using their mobile phones. As a result of its simplicity and being inexpensive, millions of shillings are transacted everyday using the

bank branches

The Business Call to Action event urged other companies to emulate Vodafone and Safaricom which used their core business to help reduce poverty in Africa.

Speaking at the event yesterday, UK secretary of State for International Development, Mr Douglas Alexander, said a lot needed to be done to meet the set objectives of the Millennium Development Goals.

By FRANK MCKAY

Salesforce.com's decision to open its sales force to all salespeople, not just those of the software giant, is a move that will help the company to grow its customer base and increase its revenue.

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ing studies have shown that the majority of the cases are caused by the use of the wrong type of oil. The most common mistake is the use of a low-quality oil. The oil should be changed every 3,000 miles or every 3 months, whichever comes first. The oil should be changed every 3,000 miles or every 3 months, whichever comes first. The oil should be changed every 3,000 miles or every 3 months, whichever comes first.

[illegible]

back with his eyes fixed on my phone and was no longer interested in my "emergency" and the hypochondria I am thankful I got through a semester not having phone-obsession and by the end of which the ICHD seems almost nothing a remote, low-dimensionality little body when you want to sit or drink coffee or eat or work or play.

[illegible]

I was astonished to read from the newspapers that the Ministry of Finance and bankers are questioning Safaricom's M-PESA.

This service has served us very well and it is unfortunate doubts are being raised about it. Thanks to the service, we can now transfer money at very reasonable rates.

Ulike you have a sleep cycle, it was initially to spot the 100 hours of Florida in the next 10 minutes. However, word is the the publisher has been going through a crisis in the country of Florida in the morning and afternoon, how long it

together with Schwann, CEO Mylan Inc., these partners would be handling the

Charles Magongo is a partner in Biznet Consultants, a web design and computer networking company in Mombasa. Although he knows the importance of having a bank account, he is reluctant to open one and does most of his transactions through a mobile phone account. He is not alone. A significant number of small businesses that were previously cut from the techno savvy e-banking services provided by most commercial banks have now turned to

Safaricom, K-Rep win praise for including the poor in business models

BY THE CHAIRMAN

Over Kargan's corporate and a non-profit-profitable combination have seen

in Kuyt at some of the businesses that have included the pair in their board of directors.



Now, before we make these artistic choices, what's more, the degree to which your artistic process can take form, gain shape. Then if you were forced to "paint with" the masses of government, your artistic world will have to coalesce there. It is a challenge. One artistic vision would be that [which] means that carrying over money in your home is the same way it is spent. It was said that the only way to survive is to be able to see the future.

Even companies that are listed as stock exchange might not be entirely pay dividends to their shareholders that way they would be away with out of being thousands of shares in and out.

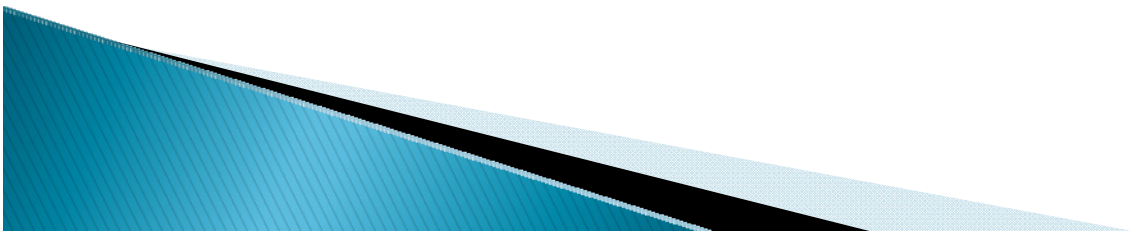
17,000

The ability to pay for goods and services without having to carry cash or cards has universal appeal. In Africa it is being driven by the need to reduce the risk of theft. The mobile is ideal because it is cheap and ubiquitous and can authenticate the payer and payee and record the transaction.

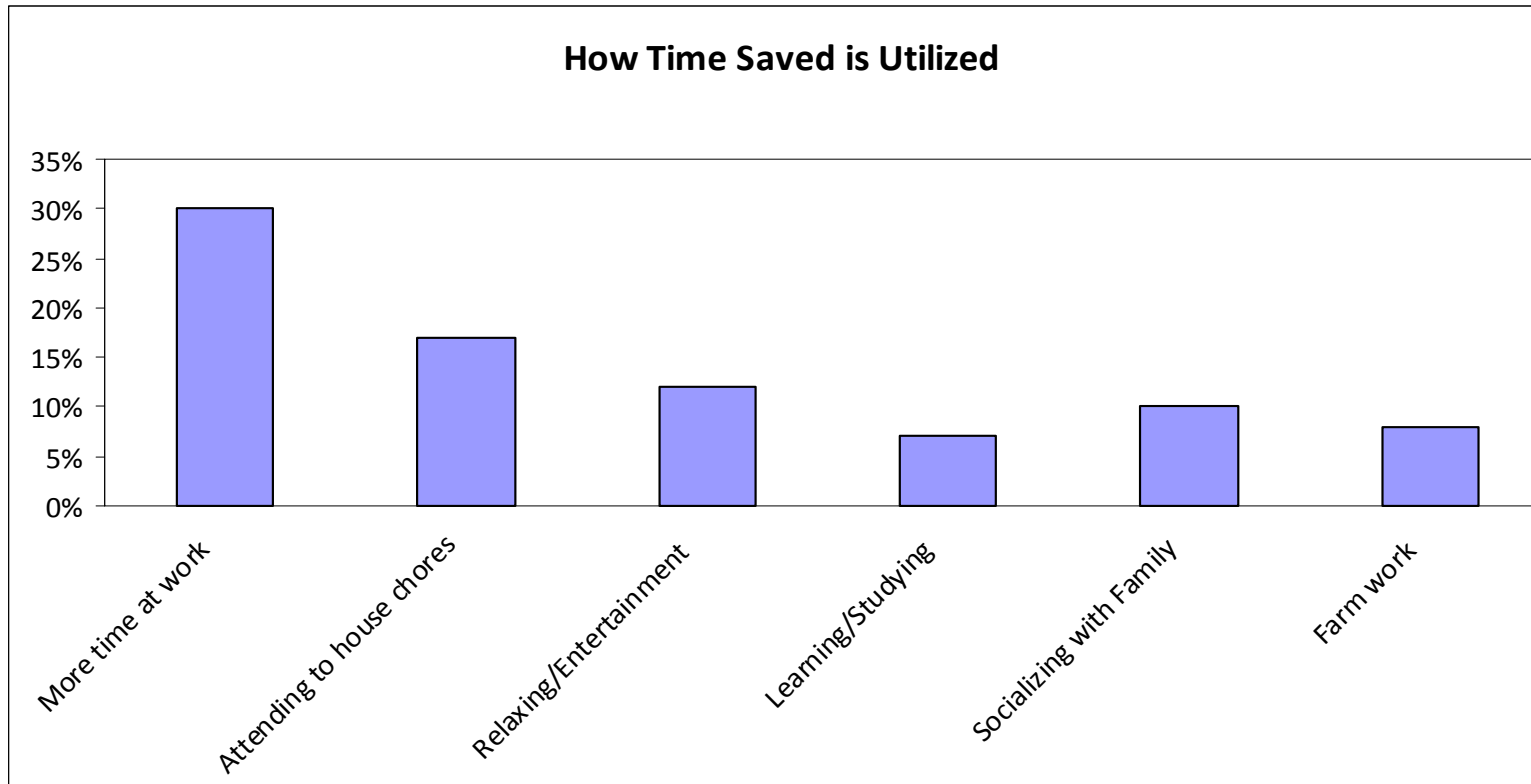
M-PESA – Impact

▶ Personal level

- ▶ Save money on travel costs incurred to go and receive remittance (10–15% of remittance– up to \$3.00 per transaction)
- ▶ Build social relations
- ▶ Save time (Approx 3 hrs per transaction)



M-PESA – Impact

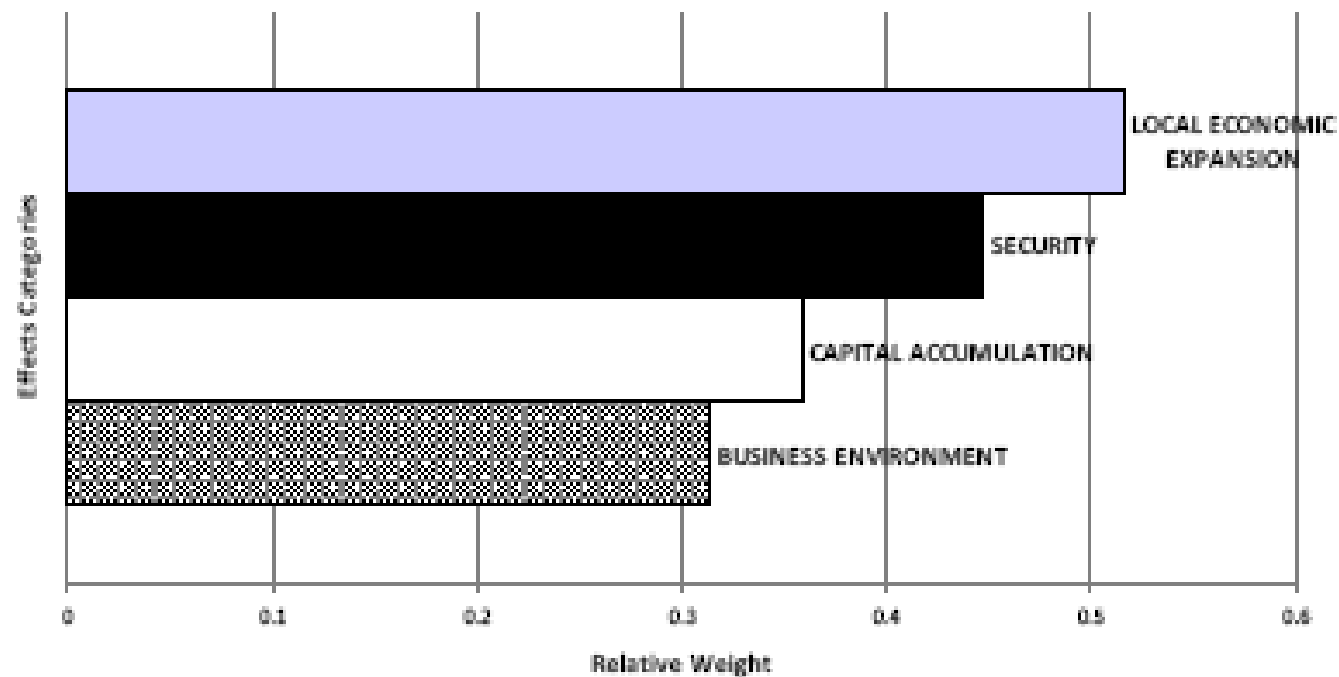


- M-PESA customers save approximately 3 hours per transaction
 - ✓ Spare time saved is used for economic generating activities. e.g. farming
- M-PESA customers save USD 3 per transaction
 - ✓ Savings are used mainly to buy food

Source:: SBO Research – Nov 2009

M-PESA – Impact

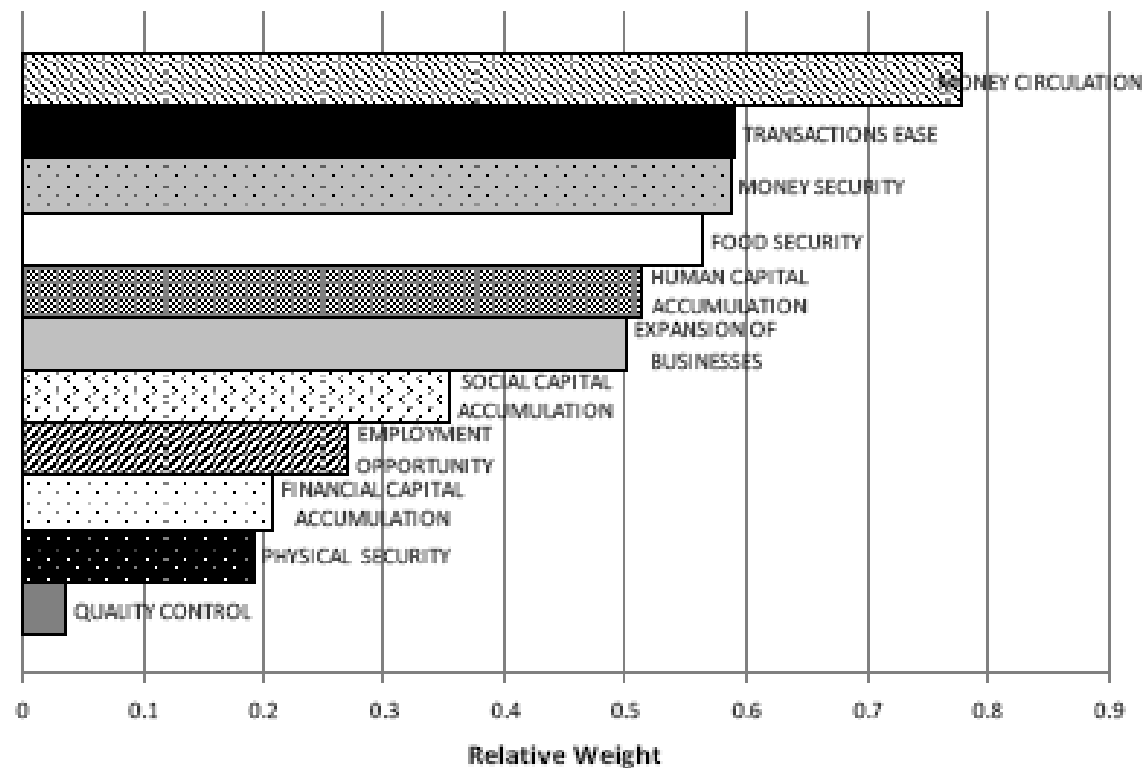
► Community Level



Source: FSA, Community Level Economic Effects of M-PESA in Kenya: Initial Findings

M-PESA – Impact

► Community Level



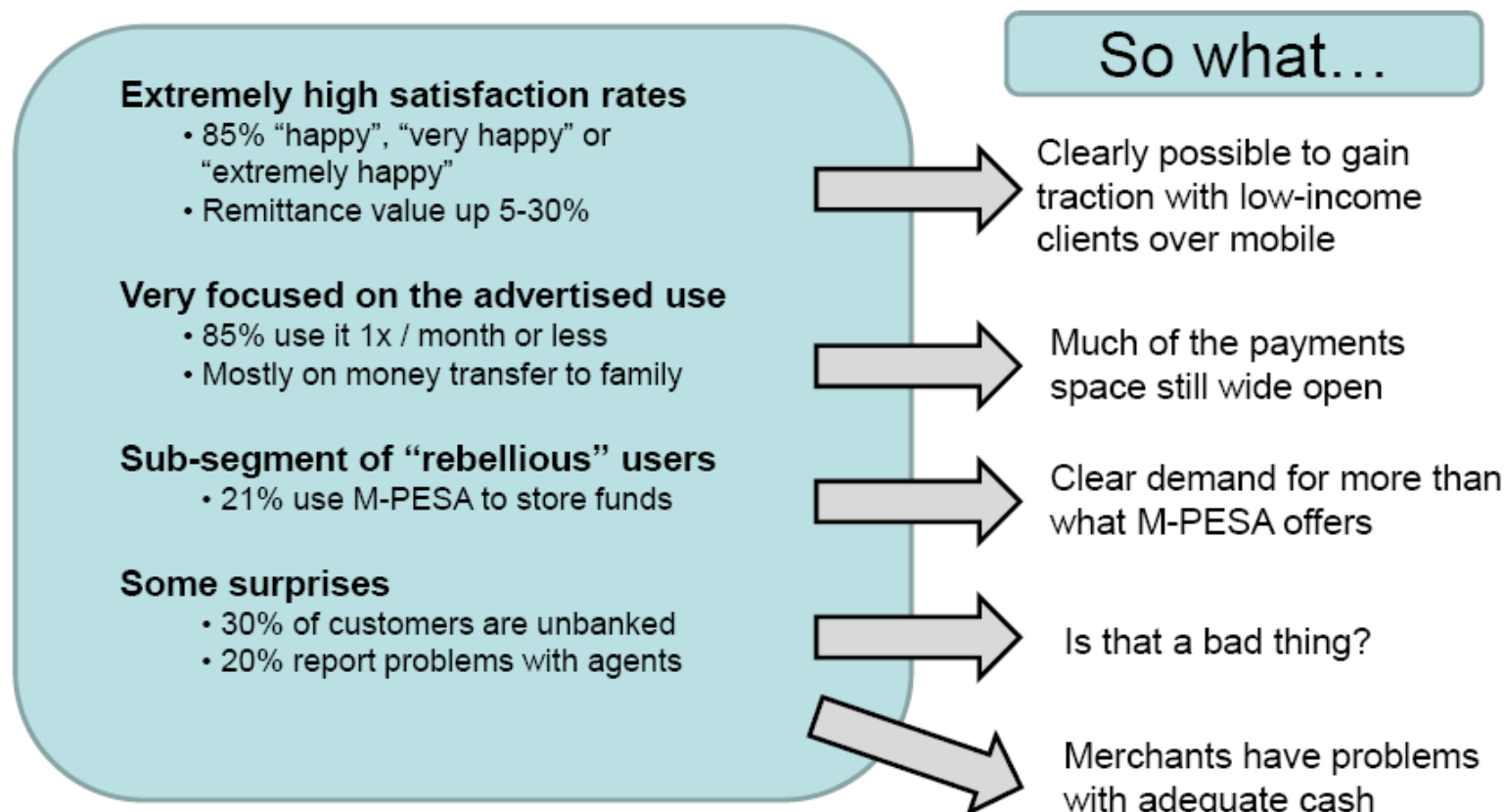
Source: FSA, Community Level Economic Effects of M-PESA in Kenya: Initial Findings

Partnerships with MFI & Health Organizations

- Insurance premium Payments
- MFI Loan Disbursements/Re-payments
- Medical Services Payments – In and Out Patient
- Higher Education Loan Repayments



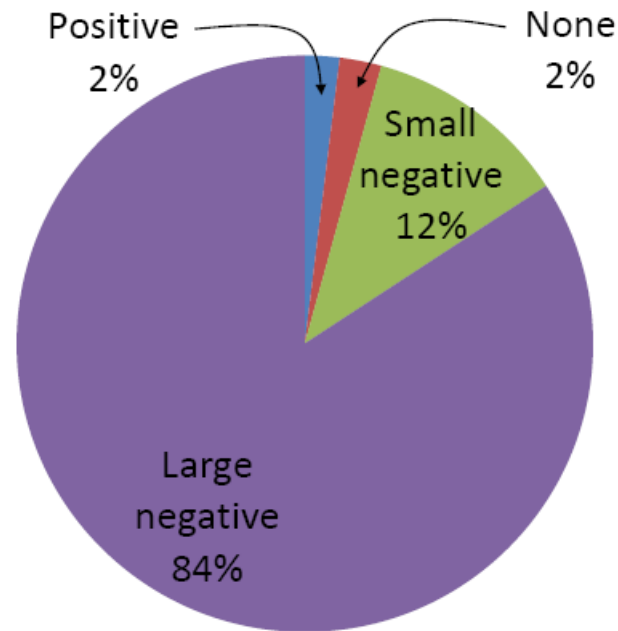
M-PESA – Success and what next?



Source: FSD Kenya 2009; Morawczynski & Pickens 2009

M-PESA – Impact

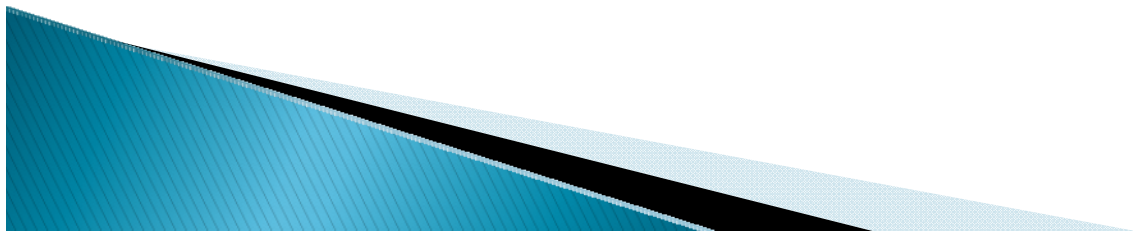
- ▶ What would be the effect of losing M-PESA?



Source: www.safaricom.co.ke

Conclusion: M-Pesa

- ▶ Demystified banking
- ▶ Created social cohesion
- ▶ Financial inclusivity
- ▶ Transformed practices and life patterns
- ▶ Improved livelihoods



Conclusion

- ▶ M-PESA started as a simple money transfer service provider but has ended up touching people's lives in a very transformative manner by offering various innovative services in direct response to the market demand
- ▶ One wonders how people managed without it in the first place..... Just as we do today with the mobile.!!!!!!

