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Cyber currency

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IMAGINE A CYBER CURRENCY where pre-paid airtime is traded across borders to exchange goods and services

IMAGINE A CYBER CURRENCY where pre-paid airtime is traded across borders to exchange goods and services, cancelling conventional currency exchange and the associated costs from the equation. Where at the touch of a button, value can be transferred from your bank, stored as airtime and used to buy goods and services.

Far-fetched? The very thought of those innovations in technology is already revolutionising the trading system, multiplying its impact on the lives of the poor and giving them facilities once available to the rich only.

With an estimated 63% of nearly 1bn people in Africa living in rural areas - where banking infrastructure is sparsely distributed and cellphones outnumber fixed lines by more than 10 to one - cellphone banking is booming on the continent, particularly in West African countries Nigeria and Ghana.

South Africa isn't far behind, with an increasing number of people using pre-paid airtime as a pseudo currency to exchange goods and services. Reg Swart, CE of Fundamo, an SA-based technology company that provides software solutions for cellphone banking to operators throughout Africa, says the uneven distribution of banking infrastructure in the region and the convenience of mobile banking are the main factors driving the uptake.

That - combined with the phenomenal increase in sub-Saharan Africa's cellphone users to 200m in just two years after breaking the 100m mark - could be the reason for the receptiveness of users of prepaid airtime as a virtual currency, says a Consultative Group to Assist the Call to Global Action Against Poverty (CGAP) survey published late last year.

"The notable observation is that most people using this model for transaction purposes were informal traders. But again, it's not out of choice that many are opting to use this model as a means to transact. They simply don't have access to a formal banking infrastructure," says Swart.

But could this model be replicated with similar success in SA? Banking research group FinMark Trust says nearly 15,7m South Africans out of 46m remain unbanked: 35% live in rural areas and 25% live in informal settlements or shacks outside metropolitan areas, where infrastructure hardly exists.

However, Arthur Goldstuck, executive director at research group World Wide Worx, says SA's regulatory environment discourages the uptake of mobile banking on a larger scale. Says Goldstuck: "It's already happening in SA but the volumes don't compare to other parts of the continent. The biggest obstacle perhaps is that the practice falls foul of SA Reserve Bank regulations, and operators and the banking community don't seem keen to encourage this model."

Currently there isn't a legal framework to guide such transactions and Goldstuck adds that the Bank would clamp down on anything "masquerading as a currency".

However, Len Pienaar, CE of Mobile Transact Solutions at banking group FNB, says there's been a noticeable trend in the number of its clients, particularly in Namibia and Botswana, where pre-paid airtime is already a tradable currency.

Says Pienaar: "The volumes and frequency of pre-paid airtime bought by users in urban areas led us to that conclusion."

A similar picture emerges elsewhere in Africa, where cellphone network operators seem to be backing the idea. The reason MTN Nigeria introduced pre-paid top-up cards there and in Britain was partly to enable Nigerians living in Britain to buy airtime for family members back home as a convenient alternative to sending smaller amounts of money.

Network operators, such as Celtel and Safaricom, have recently followed suit.

Some banks in West Africa, traditionally accustomed to the rarefied trade of the high-end formal market, are tapping into a massive opportunity to service the unbanked. They're deploying mobile banking applications that extend the formal financial service system to those unbanked without customers having to incur the onerous administrative fees of ATM machines and point of service transactions.

In essence, the service offers mobile-based virtual bank accounts with advanced features that compare with many normal bank accounts.

Standard Bank, whose footprint extends across 17 countries in Africa, has (in partnership with MTN) launched such a service. FNB launched Celpay, a cellphone facilitator operating in the Democratic Republic of Congo, Namibia and Zambia.

Comments

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