

Kenya pioneers 'mobile money' in African first



Kikuyu - Eyeing his cellphone with a mixture of suspicion and amazement, Paul Kangethe reads and rereads the SMS he has just received.

"I've never seen anything like this before."

"I've never seen anything like this before," Kangethe says of the alert that instructs him to report to the nearest cell phone shop to retrieve money his brother-in-law sent him just moments ago.

Kangethe is one of more than 65 000 registered users of M-Pesa, a mobile money transfer system recently introduced by Safaricom, Kenya's leading mobile operator, that enables people with access to a cell phone to send and receive money over their handsets in an African first.

"When he used to send me money, he would send it through the post office and it could take up to three days to receive it," Kangethe, 35, recalls, sitting in the shade of a kiosk in Kikuyu town, 20 kilometres outside of Nairobi.

From dating services to stock market listings, mobile phones are changing the face of Kenya and this newest service is forcing banks to re-evaluate their approach to inhabitants of traditionally overlooked rural areas.

Introducing banking

More than 60 percent of Kenyans have access to banks or microfinance institutions, but a staggering 38 percent - mostly living in rural areas - are entirely unbanked, according to data collected by Financial Sector Deepening Kenya (FSDK).

However, more than half the population either owns or has access to a cellphone, generating a new means by which banking and financial services could be provided, according to Safaricom's Chief Financial Officer Les Baillie.

"By providing this service, we're, in a sense, bringing banking to the unbanked," Baillie told AFP.

M-Pesa users can send up to 35 000 Kenyan Shillings (about R3 800) per transaction and keep up to 50 000 Kenyan Shillings in a "virtual account" for later use.

To use the service, senders hand over funds to a Safaricom shop to be converted into "mobile money" that is "transferred" by text to the recipient, who then withdraws it as cash at another Safaricom shop.

The fees for sending and withdrawing run up to 170 shillings, a mere fraction of the cost charged by other money transfer agencies, which ask for up to 10 percent of the amount being sent.

Even before the advent of M-Pesa, traditional service providers - such as banks, Western Union or the Kenyan postal corporation's homegrown Postbank - were often shrugged off in favour of cheaper, informal means.

Hand delivery

"The majority of people in Kenya, 86 percent, either send money through friends and family or on buses or matatus (minibuses)," explains Caroline Pulver of FSDK, a World Bank sponsored programme attempting to broaden access to the formal financial sector.

"The problem with that, however, is that it's not very secure," she added.

M-Pesa has proved popular not just for the security it guarantees in delivering money quickly and efficiently - users are asked for a secret code to withdraw funds - but also for its simplicity, which is drawing converts from those who formerly relied on regulated banks.

"I used to send money through the bank, (but) there are so many procedures that take a long time and often my family has to travel a very great distance to get to a bank, but cellphones are everywhere," says Zackayo Masinga, a small business owner in the Kenyan capital.

Technophobe

Not everyone has been won over by M-Pesa, with many skeptical of sending precious funds to relatives through the ether in a country where more than two-thirds of the population live below the poverty line.

"I rarely transfer money but I would use the bank (rather than a cellphone) because I'm wary of the technology," high school mathematics teacher Cege Kihoro says.

But with more than 1 000 new users enrolling daily, Safaricom is confident enough to kickstart efforts in conjunction with Vodafone, which owns 35 percent of the Kenyan telecom, to begin international transfers with

the United Kingdom.

"You're going to start to see more and more networks in emerging areas begin to offer this service," Baillie boasts, citing similar services currently operating in the Phillipines.

But the use of such innovative technology, experts insist, will not only be a boon to developing economies or those underserved financially.

"This is not just cutting edge for Kenya or Africa, this service is pretty cutting edge for the world," FSDK's Pulver said.

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