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Mobile Phone Banking Poised for Growth in Africa

– John Yarney, IDG News Service/West Africa Bureau

May 17, 2007

With the significant expansion of mobile phone usage in African countries where there is little bank infrastructure, such as South Africa, Nigeria and Democratic Republic of Congo, "the use of cell phone banking is becoming relevant, " said Jeremy Leach, executive director of FinMark Trust, a research think tank in South Africa.

For example, Wizzit, a Sandton, South Africa, mobile banking subsidiary of the South African Bank of Athens Ltd., launched its mobile phone banking service two years ago and has processed 250,000 transactions, according to a recent FinMark Trust survey.

Other mobile banking services include inContact, from First National Bank of South Africa Ltd., and MobileMoney, a joint venture between the carrier MTN Group Ltd. and Standard Bank Group of South Africa Ltd.

Finmark Trust, in association with the World Bank's Consultative Group to Assist the Poor, the U.N. Foundation and the Vodafone Group Foundation, recently conducted a survey among users and nonusers of mobile banking to find out which segment of the low-income market was using the service. Finmark surveyed Wizzit users, among others, to help identify perceptions about banking and technology, and barriers to mobile phone banking. While users of mobile phone banking services trusted the platform, non-users lacked trust and did not understand the offerings, according to Leach.

More than 800 million mobile phones were sold in developing countries in the last three years, the FinMark study noted. But 42 percent of the African population has not heard of mobile phone banking.

Wizzit offers subscribers a transaction-capable bank account accessible via mobile phone and debit card. Subscribers can make balance inquires, payments and transfers to any other bank, in addition to other services.

"What has been encouraging is that the big banks are now getting on board," said Brian Richardson, Wizzit's CEO.

According to Richardson, the only obstacles to Wizzit's expansion are time and willing partners. "We have many requests from banks to come and implement the Wizzit model. One challenge is that many IT departments fell threatened by Wizzit and believe they can develop it themselves. We are quite sure that they can but the Wizzit model is much more than technology and this point is often missed," said Richardson. "What is of as much if not greater importance is the methodology utilized in opening accounts, educating customers, etc."

In spite of the challenges to expanding cell phone banking in Africa, FinMark's Leach says there are various trends that will continue to support the movement's growth -- for example, affordability, accessibility and availability of mobile communications technology.

"It is a channel that is bringing in a new wave of customers," Leach said.

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