



From *Africa Renewal*, Vol.21 #4 (January 2008), page 3

A bank in every African pocket?

Mobile phones expand access to financial services

By **Mary Kimani**

Kigali



In South Africa, Kenya and other countries, cell phones can be used to bring financial services to people who have little access to regular banks.

Ann Wanjiku walks up to a green-and-white booth with an “M-Pesa agent” sign on it. There she shows the agent her identity card and her cell phone, which displays a PIN number provided by a client. Using the PIN number, the M-Pesa agent takes just a minute to verify that the client has transferred payment for 1,000 traditional carvings into Ms. Wanjiku’s mobile money account. Ms. Wanjiku then withdraws the amount in cash.

Like 90 per cent of Kenyans, Ms. Wanjiku does not have an account in a regular bank. Across Africa, only 20 per cent of families have formal bank accounts, according to a World Bank survey. In Tanzania the percentage is as low as 5 per cent, and in Liberia 15 per cent.

But the proliferation of mobile telephone services around the continent has opened a new way to extend financial services to people like Ms. Wanjiku. In the few countries where they have emerged, companies such as M-Pesa can use any phone or phone card to provide affordable services to customers wherever there is a mobile phone signal.

Expanding such innovations in the use of modern information and communications technologies (ICT) more widely was a central topic at a Connect Africa Summit held in Kigali, Rwanda, in October. More than 1,000 private-sector, government and donor representatives discussed how such technologies can help in finding solutions to Africa’s development problems.

Money under mattresses

Most banks in Africa have branches only in urban areas. Brian Richardson, the chief executive officer of Wizzit South Africa, a cell phone banking facility, notes that expanding access to rural areas has traditionally involved opening new branch offices. “As long as you have that mind-set,” he says, “it becomes incredibly expensive to bring banking to the mass market.”

As a result, regular bank services are often simply unavailable. Ethiopia has just one bank branch for every 100,000 people, compared with Spain, which has 96 branches for every 100,000 people. Moreover, requirements to maintain relatively high account balances make such services too costly for most Africans.

Even in South Africa, which has a more extensive banking system, it is estimated that people keep about R12 bn (US\$1.8 bn) “under mattresses,” says Mr. Richardson. “If we could take just a small portion of that into the formal banking system, the impact on the economy would be enormous.”

Established in 2004, Wizzit has signed up 50,000 South African customers. It hopes to reach 16 million others, in a country where some 60 per cent of the population has no bank account. Holders of Wizzit accounts can use any cell phone, even the cheap, old models popular in low-income communities. Users can deposit cash into their cell-based accounts through any post office or any branch of Amalgamated Banks of South Africa or the South African Bank of Athens. Salaries can be paid electronically into a Wizzit account. Account holders also receive Maestro debit cards accepted at ATMs and by retailers. There is no minimum balance or annual fee, but users pay the equivalent of US\$0.15–0.78 per transaction.

According to Mohsen Khalil, the World Bank’s director of global ICT, Wizzit’s operation is one of the most innovative approaches to mobile banking, since it specifically targets the poor. If this model works in South Africa, he says, the World Bank will help the company expand coverage within and beyond the country. “We may be looking here at . . . the most effective way to provide social and economic services to the poor.”

Touch of a button

Some counterparts to Wizzit have emerged elsewhere in Africa. Like Ms. Wanjiku, about 1 million Kenyans use M-Pesa, a joint product of the Vodafone/Safaricom mobile phone company, the Commercial Bank of Africa and Faulu Kenya, a microfinance organization. M-Pesa customers deposit money with a registered agent or phone vendor. The agent then credits the phone account. Users can send between 100 Kenyan shillings (\$1.5) and 35,000 shillings (\$530) via a text message to a desired recipient — even someone using a different mobile network. The recipient then can obtain the cash from a Safaricom agent by entering a secret code and showing personal identification.

Similar services are now available in the Democratic Republic of the Congo and Zambia. In Zambia, Celpay, a product of First National Bank of South Africa, allows businesses to pay for services and receive payments via mobile phone accounts. Celpay currently processes up to \$10 mn in payments per month.

In South Africa, First National Bank also partners with cell phone provider Mobile Telephone Networks (MTN), which provides services for South Africans who already have a bank account but also want to send and receive money over cell phones.

Between them, MTN and Wizzit enable 500,000 South Africans who do not have accounts to send and receive money to relatives, pay for goods and services, check balances and settle utility bills. Until the advent of the two services, South Africans often paid couriers the equivalent of \$30–50 to deliver cash to relatives. Now such transactions cost only \$0.50 through mobile bank networks.

The greatest impact is in rural areas, says Beyers Coetzee, a rural community officer for Wizzit. “Eighty per cent of all farmers do not have bank accounts.” Moreover, he adds, a Wizzit account, unlike a regular bank account, is not closed if the customer does not use it regularly. That is “very

useful for seasonal workers” in particular.

Rob Conway, head of the Global System for Mobile Communications Association, an international group of mobile phone service providers, says that such innovations have “changed the lives of millions of Africans, catalyzing economic development and strengthening social ties.”

Lauri Kivinen, head of corporate affairs for the Nokia Siemens network, agrees that this development is significant. “It means unprecedented, substantial change for ordinary people,” he told *Africa Renewal*. Through mobile phone banking, people can “extend their social and business networks, boost their productivity and so much more, all at the touch of a few buttons on a cell phone.”

Material from this article may be freely reproduced, with attribution to
"Africa Renewal, United Nations".

We would appreciate a copy of the reproduction.

Africa Renewal
Room S-955
United Nations
New York, NY 10017 USA

Tel:  (212) 963-6857 
Fax: (212) 963-4556
Email: africarenewal@un.org

Website: www.un.org/AR
Contact us by email: africarenewal@un.org