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Safaricom launches world's first mobile money service**By Tom Mogusu**

Millions of mobile subscribers without bank accounts can now make simple financial transactions from their phones.

This follows Tuesday's launch of M-Pesa, a low-cost money transfer system from Safaricom.

The revolutionary service promises to turn your mobile phone into a bank account, cash machine, debit card and money transfer vehicle.



Safaricom sales representative Ms Catherine Gichinge shows Finance minister Mr Amos Kimunya and his Information counterpart, Mr Mutahi Kagwe, how the M-Pesa money transfer system works during its launch at a Nairobi hotel, on Tuesday. Picture by Ann Kamoni

All you need is a new generation SIM card, available for free from the mobile operator. Users will be able to send money to all mobile phones — including those connected to rival operators — and receive money from other Safaricom subscribers.

Product to shake up microfinance banking

In time, they will also be able to borrow money, pay for shopping or other bills, and even have their salaries paid to their phones.

"With its ability to store money as e-cash, this service will benefit more than 80 per cent of the Kenyan population who do not have bank accounts," says Mr Michael Joseph, Safaricom's chief executive.

As exclusively reported in *FS* last October, M-Pesa is expected to shake up the microfinance banking landscape in Kenya and across the developing world. This is because of its potential as a general-purpose cash-replacement service.



The product is believed to be the "killer application" Joseph hinted at in August last year, when he promised a product that would shake up the mobile market.

M-Pesa has arrived ahead of the National Payments Bill and the Information and Communications Bill, two pieces of legislation that will cover the new ground Safaricom has staked out.

Appropriate and adequate regulation

Speaking at the launch, Finance minister Mr Amos Kimunya, said the new e-money facility would face the challenge of appropriate and adequate regulation.

Critical areas that need to be addressed, he said, include the

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fulfilment of Know Your Customer requirements, adequate risk management, integrity, security and confidentiality.

Joseph told the launching ceremony in Nairobi that the new service marks the first time in the world that a mobile service provider had ventured into e-money business.

M-Pesa is being rolled out in Kenya in partnership with Citibank and Commercial Bank of Africa. Vodafone Group Plc, the Government's partner in Safaricom, plans to offer the service in other markets.

"The service will provide an affordable, fast and safe way to transfer money by SMS," Joseph said on Tuesday.

He added that he expects the new service to revolutionise the money transfer industry. Specifically, Joseph said that the facility would be beneficial to people living in rural areas.

Kenya has about eight million mobile subscribers and is growing this number in rural areas where access to banking services is low.

'Valuable case study of digital money in action'

This makes M-Pesa a potentially huge offering. The company started issuing new generation SIM cards in November last year.

Older Safaricom subscribers can also access the M-Pesa by having their SIM cards replaced for free. Users will make deposits with authorised agents and withdraw cash from airtime distribution outlets.

Users can send amounts of between Sh100 and Sh35,000 to any phone at a cost of between Sh55 and Sh175. M-Pesa accounts can only hold a maximum of Sh50,000. Subscribers will have no contact with the banks involved and the banks will not even have subscriber details. The accounts will only attract transaction charges.

"M-Pesa is a valuable case study of digital money in action," says Mr Paul Makin of Consult Hyperion, the British IT consultancy that worked on the product for Vodafone Plc.

"It involves replacing cash with electronic money, it is for the mass market, it radically reduces transaction costs (for the least well off), provides new functionality and, most of all, it provides an infrastructure that delivers capability and efficiency to the microfinance world."

Safaricom is the country's most profitable company having made a Sh12.2 billion pre-tax profit last year.

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