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South Africa's mobile money

A South African software company is banking on the unbanked, bringing an account system to the poor.

By Alex Halperin

(Fortune Magazine) -- Jacqueline Mathe, unemployed and 22, has just signed up for a bank account in Nellmapius, a black township near Pretoria. All she needed was a government ID and a mobile phone. Mathe hopes to save a quarter of the monthly \$28.54 government grant she receives for her toddler, Khothasto, who is riding in a sling on her back.

A small crowd with similar plans gathers at a registration tent. They want to join the more than 170,000 South Africans who have a mobile bank account with MTN Banking, a venture between wireless provider MTN and Standard Bank. The accounts offer a safe place to keep money and a way to pay bills and transfer funds as easily as sending a text message.

MTN Banking is one of the largest customers of Fundamo, a privately held South African company that provides the backbone of an innovative mobile account system used in several African countries. Fundamo's software can customize accounts to pay interest or link with an ATM card. In July, the company - founded by 50-year-old physicist-turned-entrepreneur Hannes van Rensburg - received a \$5.1 million venture capital investment from South African mogul and space enthusiast Mark Shuttleworth.

More cell phones than bank accounts

Brick-and-mortar banks took "150 years to bank a few hundred million," says van Rensburg, who worked on South Africa's nuclear program. With cell phones more prevalent than bank accounts in developing countries, they may be the easiest way to reach the unbanked.

Fundamo isn't the only mobile-banking player, but with a proven technology and a foothold in Africa, it's well positioned for banks pushing to bring the unbanked onto the grid. "There's more than \$1 trillion in cash in the hands of the unbanked," says Robert Egan, chief analyst at Tower



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Group, a financial services research firm. "Banks are eager to turn that into electronic commerce because when they do that, it means fees."

MTN Banking accounts don't pay interest and charge at least 43 cents for each ATM deposit. In Mathe's case that's 6 percent of her hoped-for monthly savings. CEO Terry Timson says the company might reduce fees as the program expands, but that in a country with as many burglaries as South Africa, customers are better off with a bank account.

Fundamo charges for system capacity and expansion, not by transaction. In Zambia and the Democratic Republic of Congo, it powers Celpay, a mobile account system used primarily by businesspeople to pay suppliers. Celpay says about \$18 million whizzes through the system monthly in Zambia, where the annual per capita GDP is only about \$1,000. ■


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