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Q1: Respondent details

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Q2: Country or Customs territory	COTE D'IVOIRE
Q3: Organization	Public sector

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Q4: Title of case story

Impact of mobile payments and banking on the unbanked in African countries

Q5: Case story focus	Infrastructure upgrading and the development of related services markets, including through support for investment climate reforms.

Q6: Case story abstract

Mobile payments technology is becoming increasingly significant, especially in the context of developing economies, where many low income households and microenterprises do not have ready access to financial services. Mobile payment facilitates financial inclusion, and offers potential for financial integration.

Over the last five years, mobile financial services have grown significantly in India and Africa. The rapid growth in the mobile money industry, in particular, has led to increased access for the less privileged and the disadvantaged population to affordable financial services not only within, but also across borders. Despite the opportunities this provides, the rapidly developing technology poses a challenge to regulators to support cross-border payments in a world that is also engaged in combating the rise in money laundering, terrorist financing, fraud and other financial crimes.

Q7: Who provided funding?	Multilateral organization
Q8: Project/Programme type	Regional

Q9: Your text case story

It is estimated that “2.5 billion adults, just over half of world’s adult population, do not use formal financial services to save or borrow; and in Sub-Saharan Africa, 325 million people (80% of the adult population) remain unbanked as compared to only 8% in high income OECD countries. Formal financial institutions are unable to help the unbanked manage money and risks due to excessive risks and costs”, (Financial Access Initiative Report 201020).

To facilitate access to finance to unbanked Africans, some MNOs have launched non-bank led mobile payment programs in some SSA countries. Africa is a vast region of 54 countries covering 30 million square kilometers and one billion people. Treating Africa as a single entity would be to overlook the complexities of life within a huge diversity of peoples, languages and cultures within and across national boundaries. It would be impossible to cover all of these in the detail that they deserve. Kenya can be used to illustrate the impact of mobile payments on the unbanked in low-income African countries.

Taking bank accounts as an indicator, access to formal finance in Kenya, although improving over the past five years, is still limited (with bank account penetration rate being still 21% in 2010). If mobile money accounts had been used, access to financial services in Kenya would have been more spectacular with an increase from an estimated 19 percent in 2007 to more than 40 percent in 2011. According to a survey, “usage of non-bank financial institutions more than doubled from 7.5 percent in 2006 to 17.9 percent in 2009—this could be mostly attributed to the new M-PESA service provided by Safaricom.”

M-PESA has achieved tremendous growth since it was launched in 2007. As of December 2011, M-PESA transferred US$1.37 billion equivalent, with 40.01 million transactions; and per day transactions reaching US$44.25million equivalent. An important attraction of MPESA is its low cost (estimated at US$0.38-0.44 equivalent per transaction), and its introduction is reported to have led to a 58% increase in the number of Kenyans who have bank accounts (Stephen Mwaura Nduati, 2012). This underscores how not only do innovative mobile services provide an immediate service to the poor, but also act as a catalyst for development in the wider economy.

Mobile banking and mobile money services, which have already had a major impact on the economy of Kenya, are starting to make serious inroads also in West Africa, where mobile phones are ubiquitous (50%) but bank accounts are scarce (18%). New MSPs are springing up from Ghana to Nigeria and other Western African countries, offering customers in one of the poorest corners of the world the chance to send and receive money via text message for relatively small fees.

More information: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Financial_Inclusion_and_Integration_through_Mobile_Payments_and_Transfer.pdf

Q10: Lessons learnt

However, the ecosystem for mobile financial services in West Africa is different from that in Kenya, which makes it difficult to replicate the success story of Kenya. The success of the M-PESA product depends on a reliable network of agents among others. However, agent networks are too difficult to set up in West African countries, especially WAEMU countries, where retail distribution networks are not widely developed. The lack of a fully developed, fast moving consumer goods market in Burkina Faso and Mali, for example, makes mobile payment programs difficult to develop. Possible partnerships for agents are limited as are the actual agent locations themselves.

With adequate agent networks and other critical factors, some West African countries would have already matched Kenya’s achievements. The volume of mobile payments in some West African countries is already high and its impact on macroeconomic development could be in the double digits. As a proportion of GDP, the largest recipients are Togo (10.7%), Cape Verde (9.4%), Senegal (9.3%), and The Gambia (8.2%), according to a recent World Bank/AfDB report2. In West Africa recipients of remittances are often low-income females without formal bank accounts.