MOBILE MONEY: The Kenyan Experience

Presented by:
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Outline

1. Evolution of Mobile Money services in Kenya
2. Growth of Mobile and Internet Users
3. Drivers of the Success Story
4. Key Actors
5. Why Mobile Money Transfer Services
6. Application Systems
7. Services Offered
8. Trends
9. Benefits /Impacts of the Money Financial Services
10. Challenges in Digital Financial Services
11. Conclusion
Kenya at a Glance

- Area: 582,650 sq. km
- Population: 43 million
- GDP per Capita: USD 994.31
- Currency: Kenya Shilling
- Legal System: English Common Law system
- Mobile Money Transfer Subscriptions: 26 million as of December 2014
- Mobile Phone penetration: 82.6% as of December 2014
## Evolution of Mobile Money Services in Kenya

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
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| 2005 | • Safaricom finalizes the development of the framework for M-pesa pilot as microfinance repayment tool  
• CBK gives Safaricom an authorization to pilot the M-pesa framework  
• The M-pesa pilot commences in town called Thika in Kenya |
| 2006 | • M-pesa pilot successful complete  
• Safaricom seeks further authorization to convert from microfinance to mobile money transfer  
• The Financial Regulator directs Safaricom to further information regarding M-pesa legal structure |
| 2007 | • CBK gives issues a no objection to the conversion M-pesa from microfinance to mobile money transfer platforms  
• The first mobile money transfer launched in Kenya |
| 2008 | • M-pesa facilitates bill payment and bulk salary payments  
• M-pesa customers begin getting M-pesa services at Post bank branches  
• Introduction of cardless ATM withdrawals to M-pesa customers |
| 2009 | • National Treasury gives M-pesa a clean bill of health  
• GOK exempts all financial services including mobile money transfer from VAT  
• Amendment of legislation done in 2009 to introduce the Agent Banking concept  
• GOK allows M-pesa customers to receive directly international remittances through M-pesa platform  
• Some Microfinance Institutions allow customers to make payments through M-pesa e.g. SMEP, MFL etc.  
• Insurance companies begin to insure customers using M-pesa (Kilimo)  
• Partnership between Kenya power and Safaricom to enable KPL customers pay bills through M-pesa  
• Another partnership with Grundfors enable rural households to pay for safe water through M-pesa  
• Other MNO”s such as Celtel Kenya LTD and ESSAR mobile Kenya LTD introduce competition to M-pesa through Launch of their mobile money platforms. |
Growth of Mobile and Internet users

- Mobile telephone subscribers soared from a minimal 10,000 in 1999 to 33.3 million by the end of 2014.
- The number of internet users also increased exponentially from a 1 million in 2005 to 22 million in 2014.
- Mobile network operators diversified their products to include Mobile Money Transfer services.
Drivers of the Growth

Motivator with its blue print of making a middle income economy by 2030

ICT regulator

Increased penetration of ICT services through progressive ICT regulation

Financial Regulator

Deepened and broadened Financial services through progressive financial regulation

Deepened penetration of ICT through a strategic focus
## Key Actors in Mobile Money

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<tr>
<th>Policy &amp; Regulatory Actors</th>
<th>MNOs</th>
<th>Mobile Money Platforms</th>
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<tbody>
<tr>
<td>MOICT</td>
<td>Safaricom, Airtel, Telkom Kenya</td>
<td>MPesa, Airtel Money, Orange Money, MTN Mobile Money, Pesa Point</td>
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Why Mobile Money Transfer

• Approximately over 70% of Kenya’s population has no access to banking services.

• Mobile Financial Services continue to grow overtaking other payment methods like payment cards due to:
  – Accessibility
  – Affordability
  – Simplicity
  – Acceptance of smaller transactions unlike banks;
  – Speed-instant transfers
  – Convenience
  – Received international recognition

• As at Dec. 2014 mobile money transfer services had:
  – 26 million users (62% of the population)
  – 122,000 Mobile Money Transfer Agents countrywide (employment)
  – Total transactions reaching USD 25 billion annually translating to USD 68 million a day.

• Other products have been launched by financial institutions in collaboration with network operators e.g. mKesho, mShwari, PesaPoint, PesaPap etc.
Application Value Chain

• Service Provision on a telecommunication platform with reliance on SMS services

• SIM card with the functionality of money transfer service is required as configured by the operators.

• Deposit/withdrawal requires Mobile money Transfer Agent (This is confirmed by an SMS received by both the Agent and the Customer).

• Minimum transfer KShs 50 (US$ 0.625) up to Ksh.70,000/= (US$ 875) per transaction with a limit of KShs. 140,000/= (US$ 1,750) per day

• Transactions cost range from KShs 1 (US$ 0.01) for low end transactions to a maximum of KShs 110 (US$ 1.2) for high value transactions

• Average value per transaction = KShs 2,935 (US$ 32)
Services Offered

- Deposit/Withdraw money
- Transfer (send) money to registered/non registered customers
- Buy prepaid airtime/purchase credit
- Manage money transfer account
- Payment of bills and services
- Purchase of goods and services
- Bulk cash payments e.g salary payments
- International money transfer- Diaspora
- ATM withdrawals
- Dividend payment
- Social/Charitable collections
- Banking – savings and loan products
Mobile Money Financial Services

Total Customers Since November 2007 (million)

Mobile Financial Services accounts in February 2015. (25.46 million)
By 2006, only 185,000 of the adult Kenyans were formally banked, but by March 2014, 26.2M accounts had been registered on mobile money platforms, 59% of which were active with a total of 116,196 mobile money agents.
Benefits of the Money Transfer Service

Comparing Mobile Financial Service with alternatives

- **Speed**
  - Quicker: 98%
  - Slower: 2%

- **Convenience**
  - More convenient: 96%
  - Less convenient: 4%

- **Safety**
  - Safer: 98%
  - Less safe: 2%

- **Cost**
  - Cheaper: 96%
  - More expensive: 4%
Impact of Mobile Financial Services on Financial Access

- **2013**: 35.2% Formal, 31.7% Formal Other, 7.8% Informal, 25.3% Excluded
- **2009**: 22.6% Formal, 17.9% Formal Other, 26.8% Informal, 32.7% Excluded
- **2006**: 18.9% Formal, 7.5% Formal Other, 35.2% Informal, 38.4% Excluded
Diversity in Digital Financial Services

Easy & Fast Mobile Saving & Loaning Services

Flexible e-Banking on Mobile Platform

Accessible Bank Saving & Lending Service

The mobile money eco-system now integrated under the National Payment System – Created more confidence and resilience through oversight.
Challenges Facing Digital Finance Services in Kenya

Unprecedented cases e.g. Thin SIM for Mobile Money

Managing Competition

Dynamic Innovations requiring Dynamic Regulations

Cyber Security Threats & Fraud

Kenya (Kenya)
Conclusion

- Mobile technology has proved to be an enabler of digital opportunities.
- Innovative service has created financial inclusion of large unbanked population in Kenya.
- Simplicity and partnerships are critical in service penetration.
- The potential in Mobile Money service is immense and is fast extending to the global network with worldwide reach.
THANK YOU