

m-Payments experience in Kenya

The case of M-PESA

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IDRC
International Development
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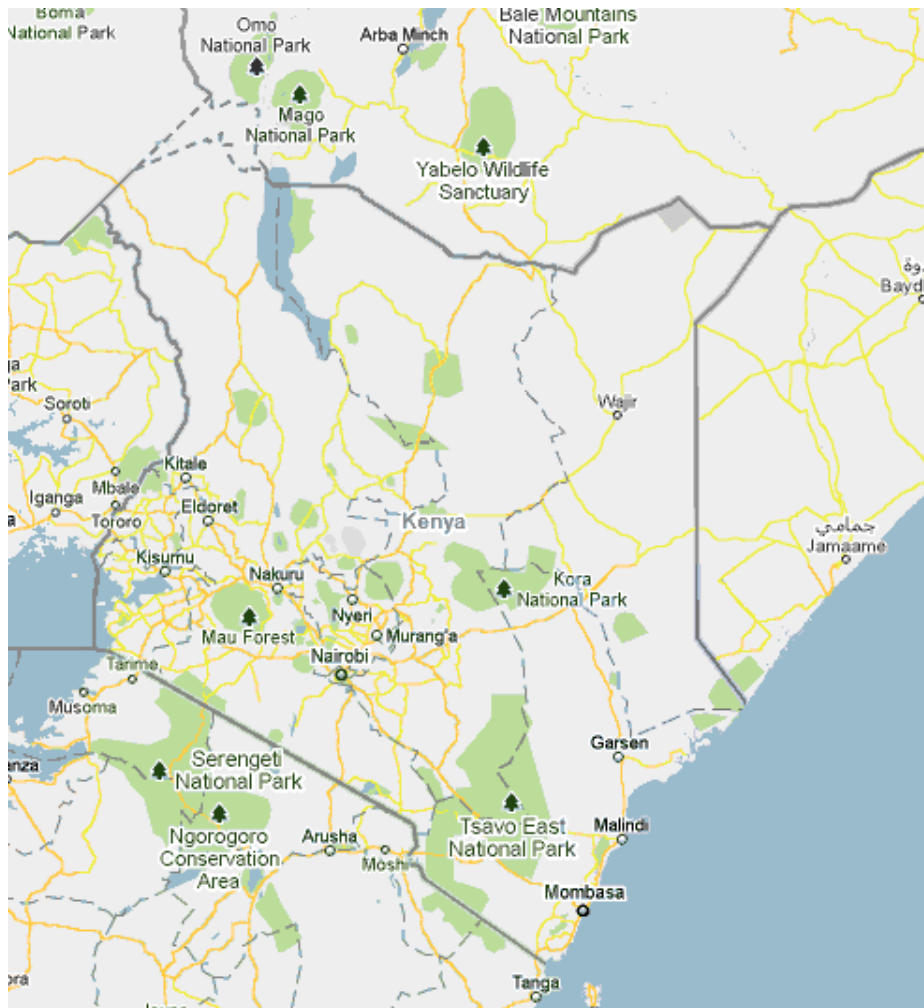


CRDI
Centre de recherches pour le
développement international

DFID Department for
International
Development

Kenya

the context



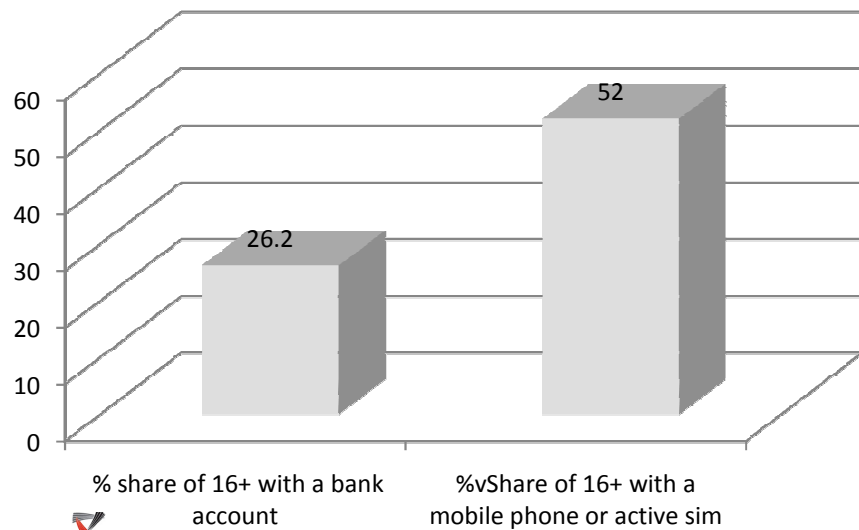
- ICT sector
- Population – 39M
 - 75% rural based
- ICT sector (Dec 2009)
 - Connectivity – 19.4 million
 - Penetration cellular – 49.7%
- Regulatory
 - Communications Commission of Kenya
 - Central Bank of Kenya
- Cellular Operators
 - Safaricom - 80% market share
 - Telkom Kenya - part of France T
 - Yu - part of Essar Group
 - Zain - bought by Bharti Telecoms

the history of m-payments

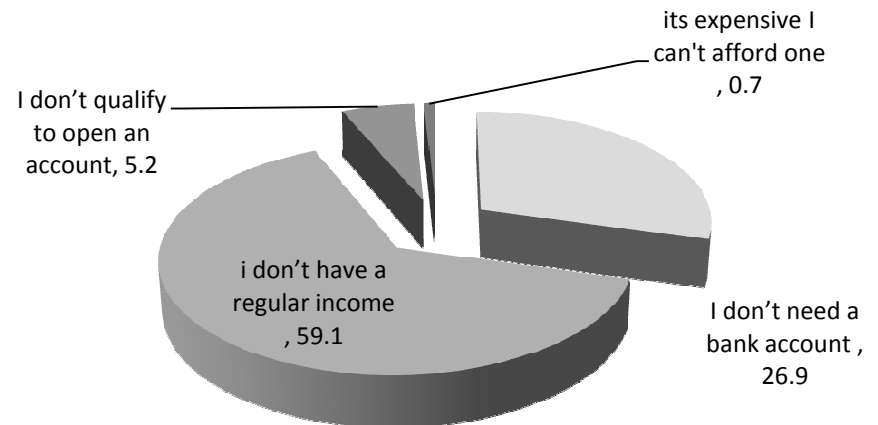
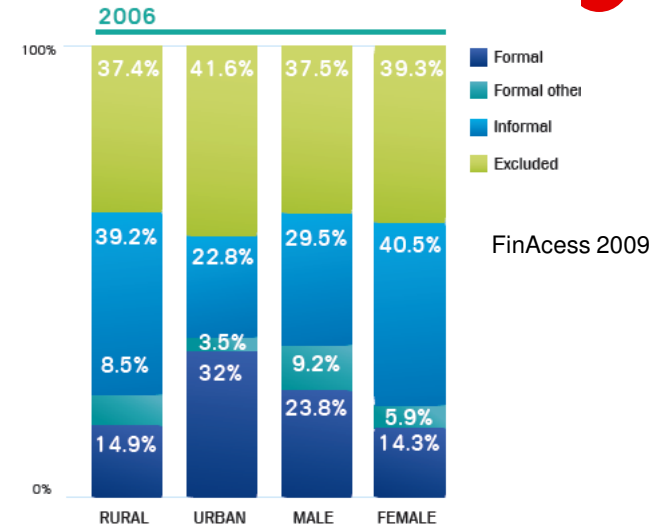
the case of MPESA

- ❑ Innovation by Vodafone UK in 2005 funded jointly by Vodafone/DFID on 50/50 basis under the Deepening Financial Deepening Challenge Fund . DFID fund intended to reduce poverty through private sector initiatives
- ❑ Vodafone after developing the platform worked with Safaricom to pilot the product among 1000 people to service loans among MFIs – Faulu Kenya
- ❑ Rolled out to others to transfer money for the unbanked March 6th , 2007

Pre – MPESA environment *the unbanked and why*



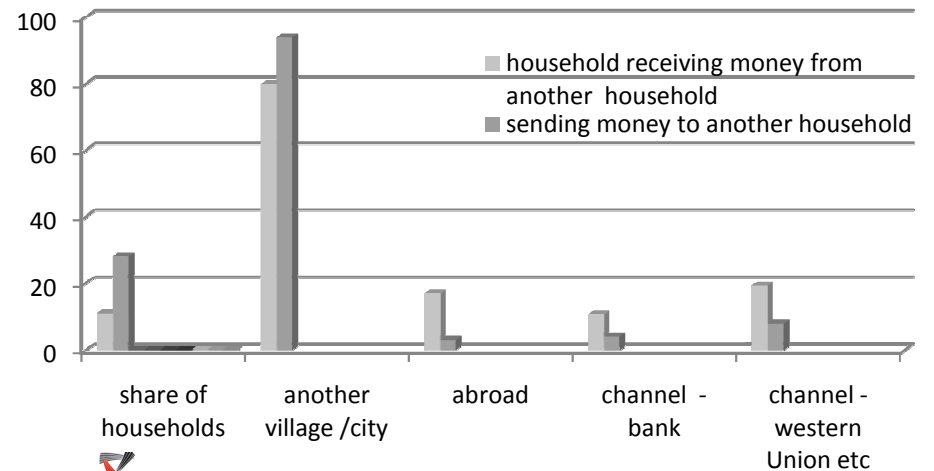
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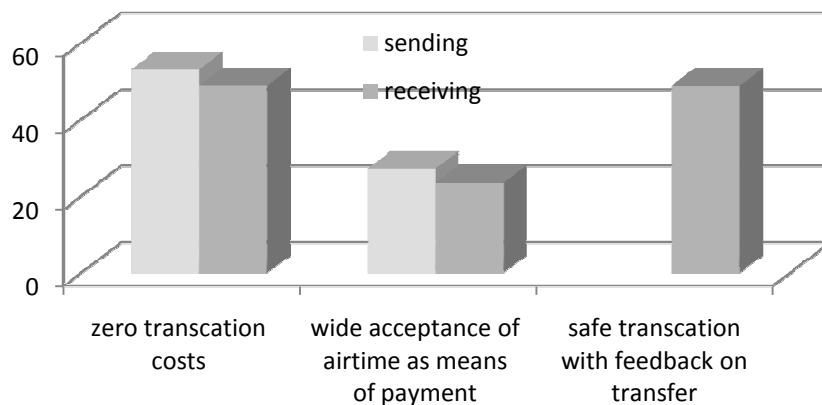
pre MPESA (2007)

Handling money and trust

household receiving/sending money from/to another household



what factors would make you use the phone or the banks



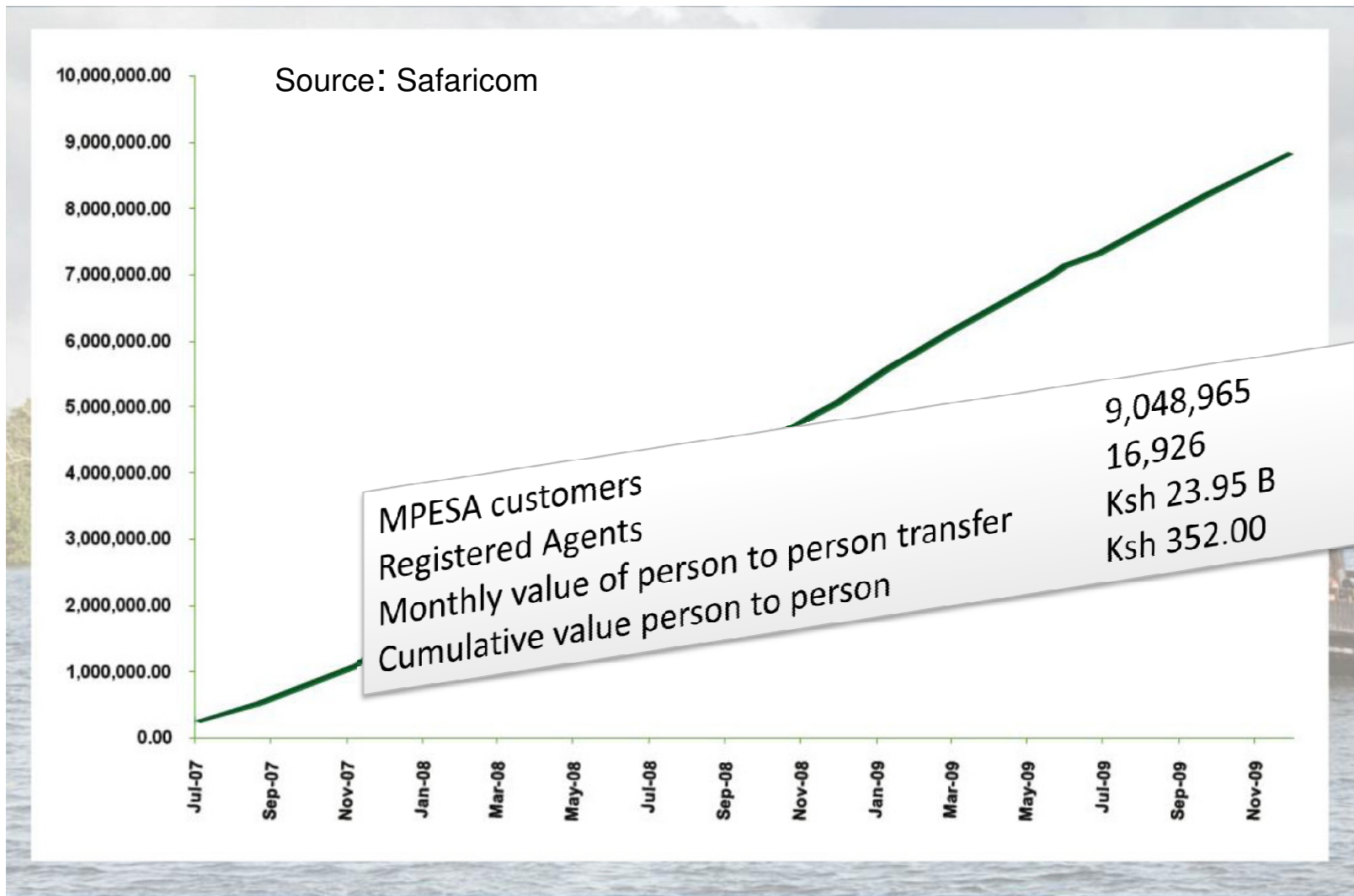
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Evolution of MPESA



Safaricom

Growth of MPESA customers



Features

- ❑ Compliance with Safaricom AML/KYC policy
 - must present identification to send /receive
- ❑ based on commission for the agents
- ❑ Maximum transfer transaction
 - - Ksh 35000
- ❑ Maximum transfer per day
 - Ksh 70000
- ❑ Average P2P transactions per month
 - Ksh 2500

USD=Ksh 75

MPESA agents

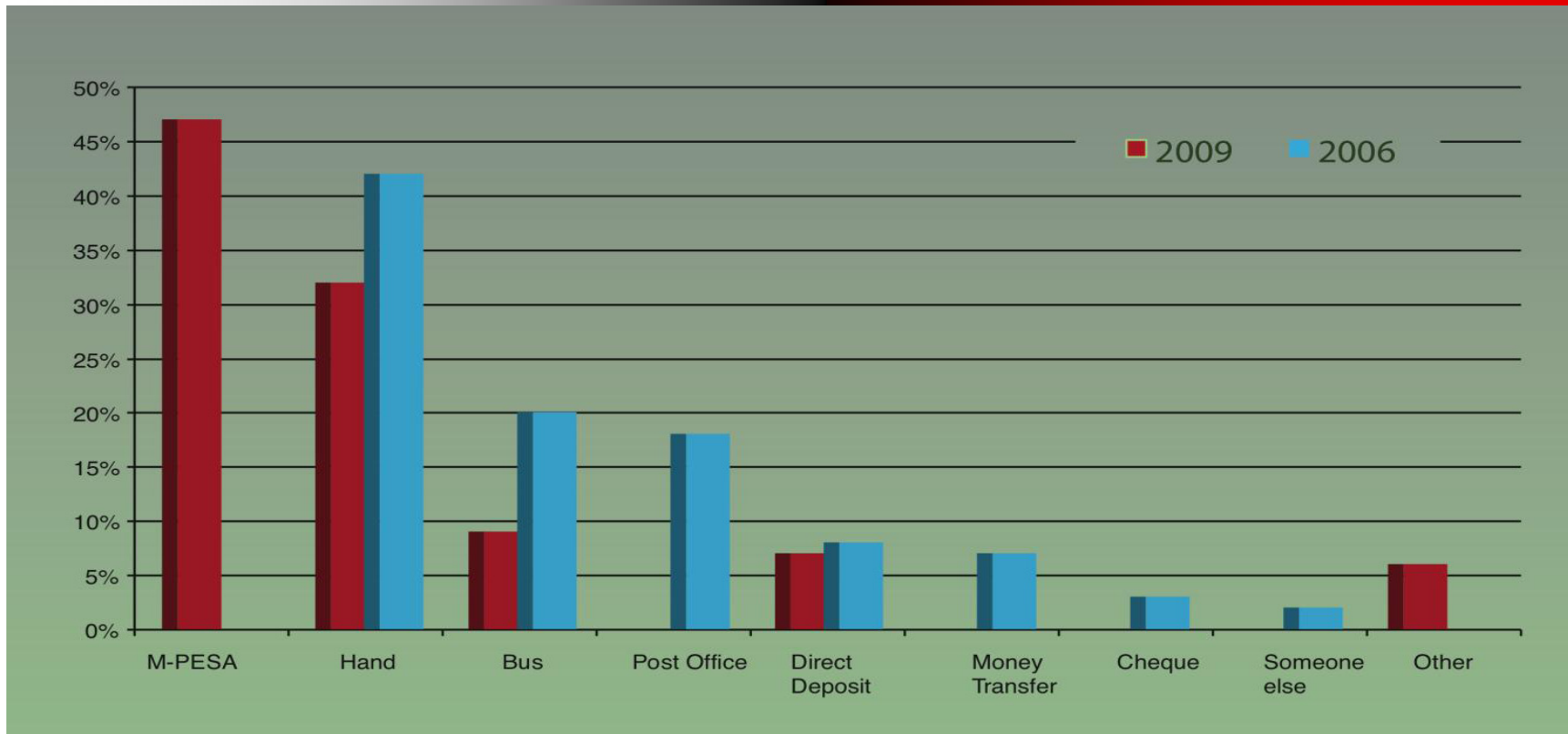


Implications

innovation

- ❑ Person to person transfers
- ❑ ATM withdrawal
 - Withdraw from ATMs
- ❑ Bill payment
 - Power utility payment
- ❑ Business to customer
 - Pay salary
- ❑ Commercial banks
 - Withdraw money from bank account into MPESA account
 - Bank to the account possible
- ❑ CSR collections

Remittances *before and after MPESA*

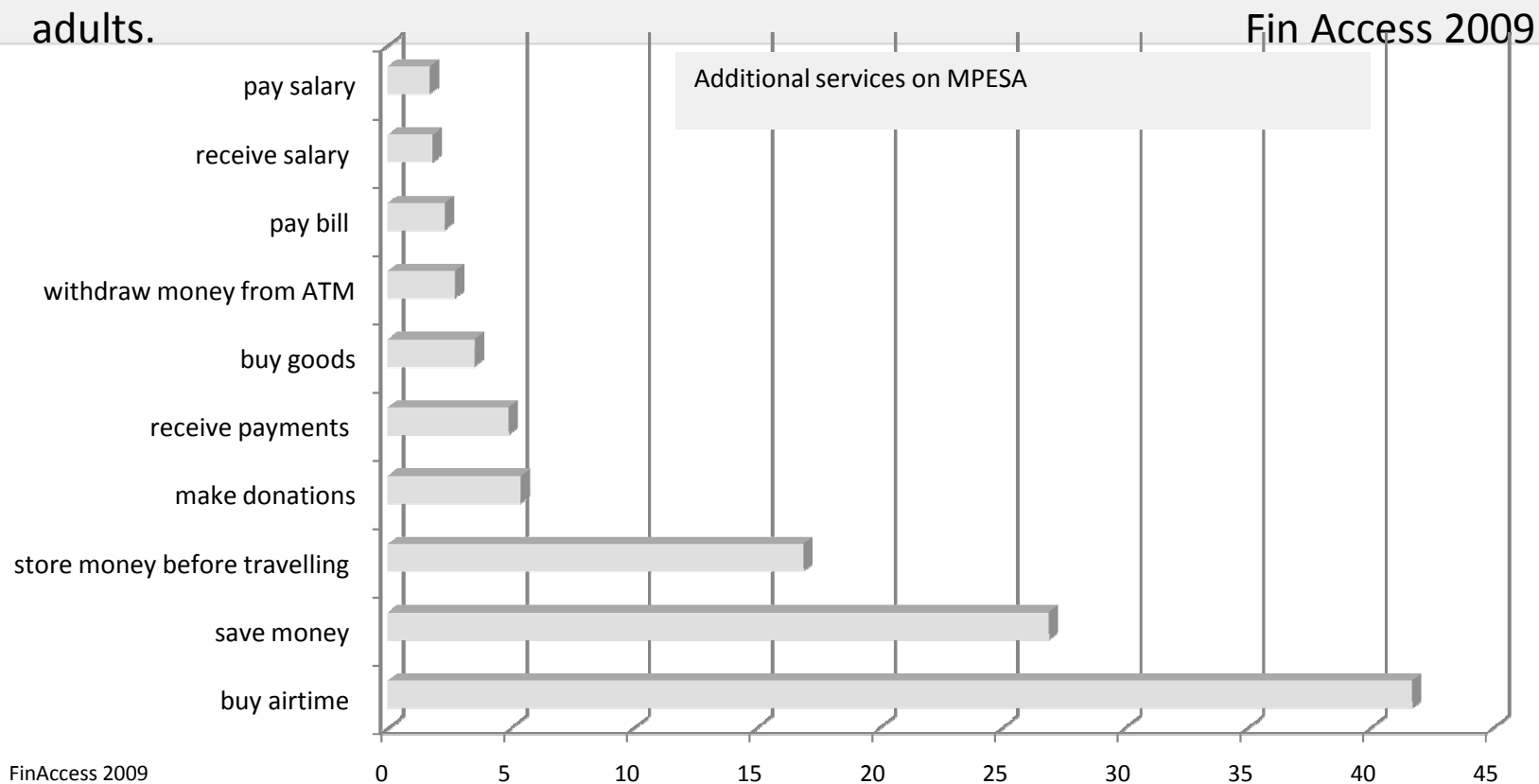


FinAccess 2009/ Safaricom (3000 users sampled)

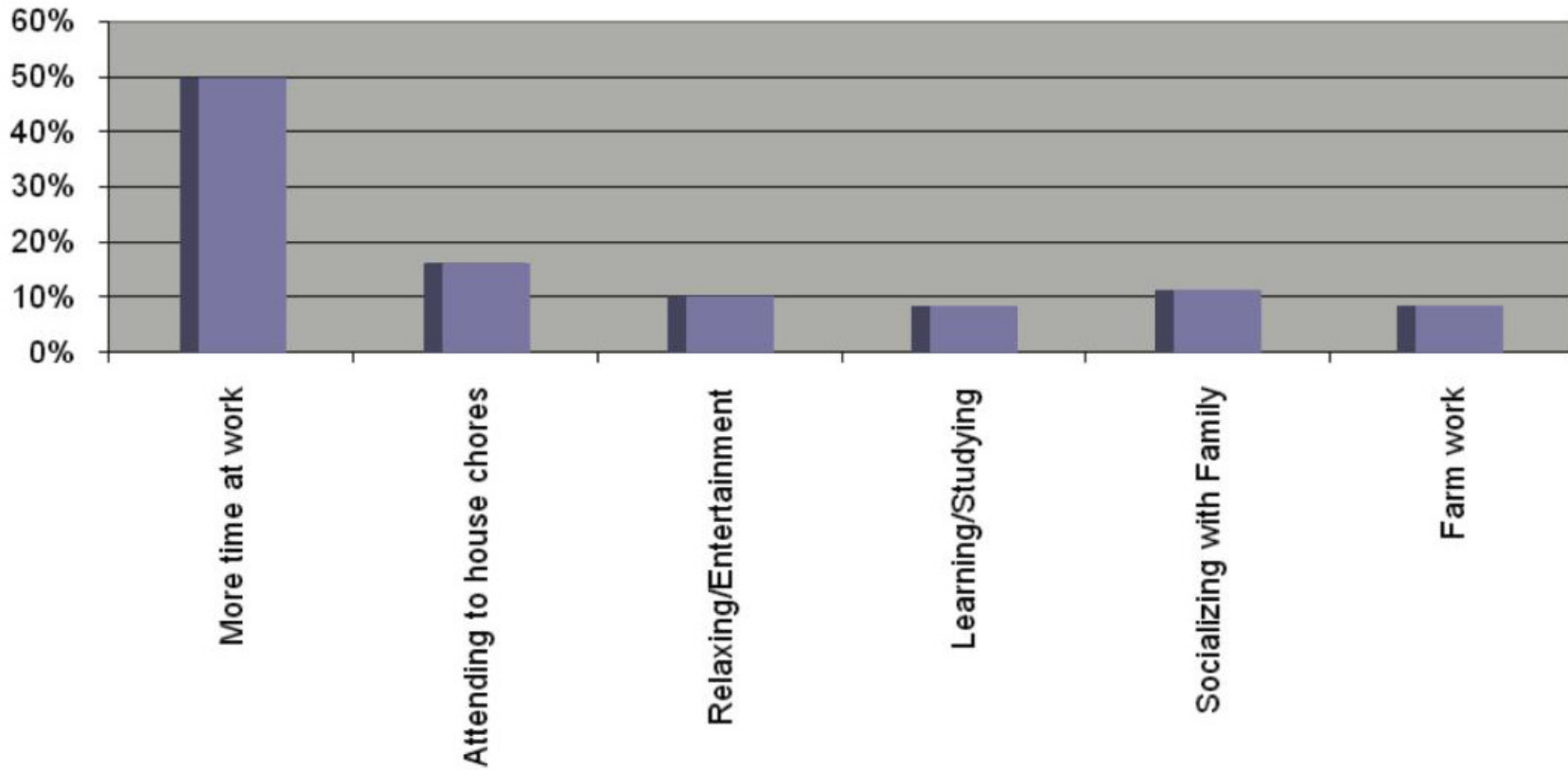
Killed all the informal and some formal means of remittances

The impact

- Remittances within Kenya are now very common; 52% received money in 2009 compared to 16.5% in 2006.
- The most popular means of money transfer is M-PESA, now used by 39.9% of all adults.



Time saving using MPESA



SBO Research2009/Safaricom

the perception of remittance

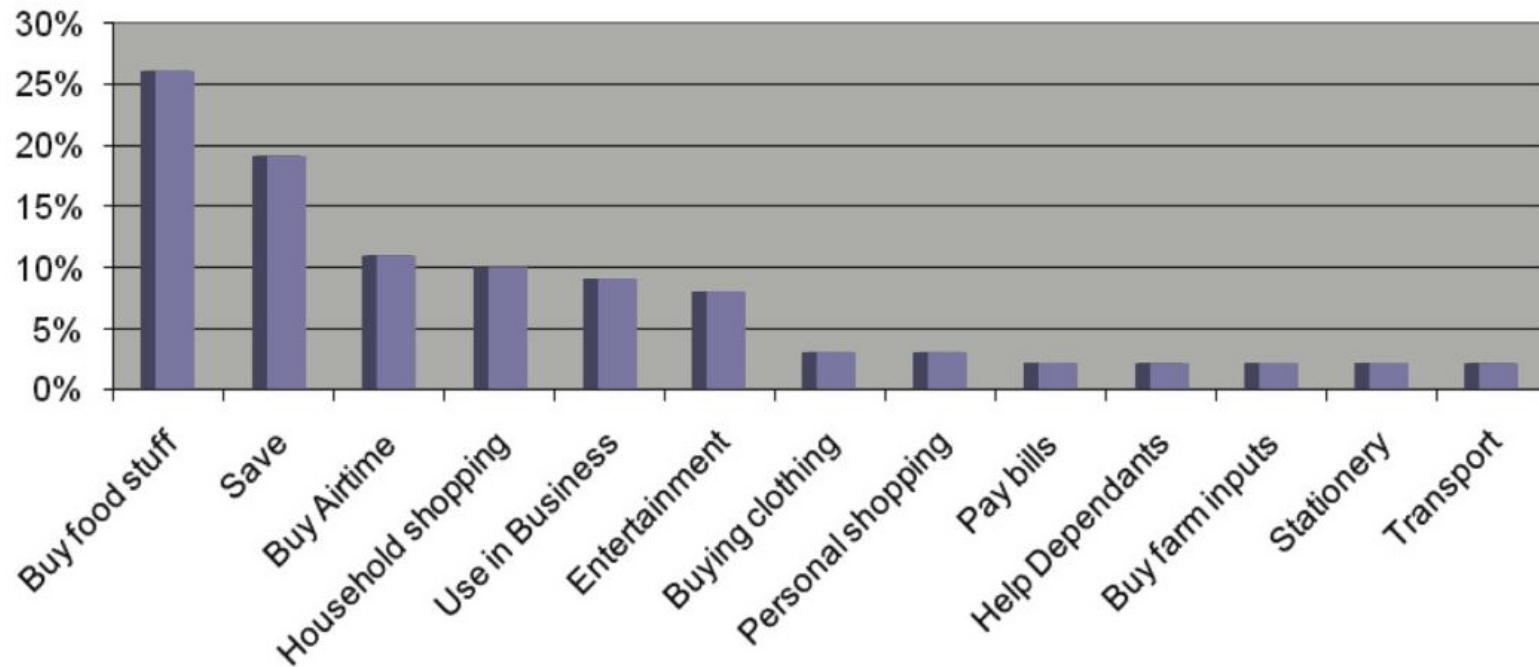
Positioning of MPESA

	2006	2009
Perceived most risky	Friend/family (50.4%)	Bus/Matatu (45.8%) & Friend/family (42.7)
Perceived least risky	Specialist money transfer service (19.4%)	M-PESA (26.2%)
Perceived most expensive	Specialist money transfer service (40.0%)	Specialist money transfer service (25.8%)
Perceived least expensive	Friend/family (51.3%)	Friend/family (44.2%) & M-PESA (31.7%)
Perceived fastest	Specialist money transfer service (34.9%)	M-PESA (64.3%)
Perceived slowest	Friend/family (32.9%)	Friend/family (32.4%)
Perceived easiest to get	Friend/family (51.3%)	M-PESA (47.8%) & Friend/family (36.8%)
Perceived hardest to get	Someone else's account (22.6%)	Cheque (18.7%), Money transfer service (18.3%) & Bus/Matatu (16.4%)

MPESA perceived

- least risky,
- least expensive,
- fastest,
- easier to get,

How the savings are used



SBO Research
2009/Safaricom

Scenarios for m-payments

□ Operator driven

- Crosses out other operators to enhance its brand
- Service not available to other operator

□ Bank driven

- Locks out other banks to enhance its brand and not available to other bankers

□ Neutral

- Third agency provides a platform
- Challenges of the responsibility

Kenya Scenario

□ Kenya scenario

- Operator driven
- All operators have or introducing products – Zain (Zap) and yu (Yu Cash)
- No licensing by ICT regulator

□ success factors (apparent!)

- Financial market failure - not able to serve the segment
- No licencing by ICT regulator
- Oversight reporting by Central Bank of Kenya

Thank you

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