

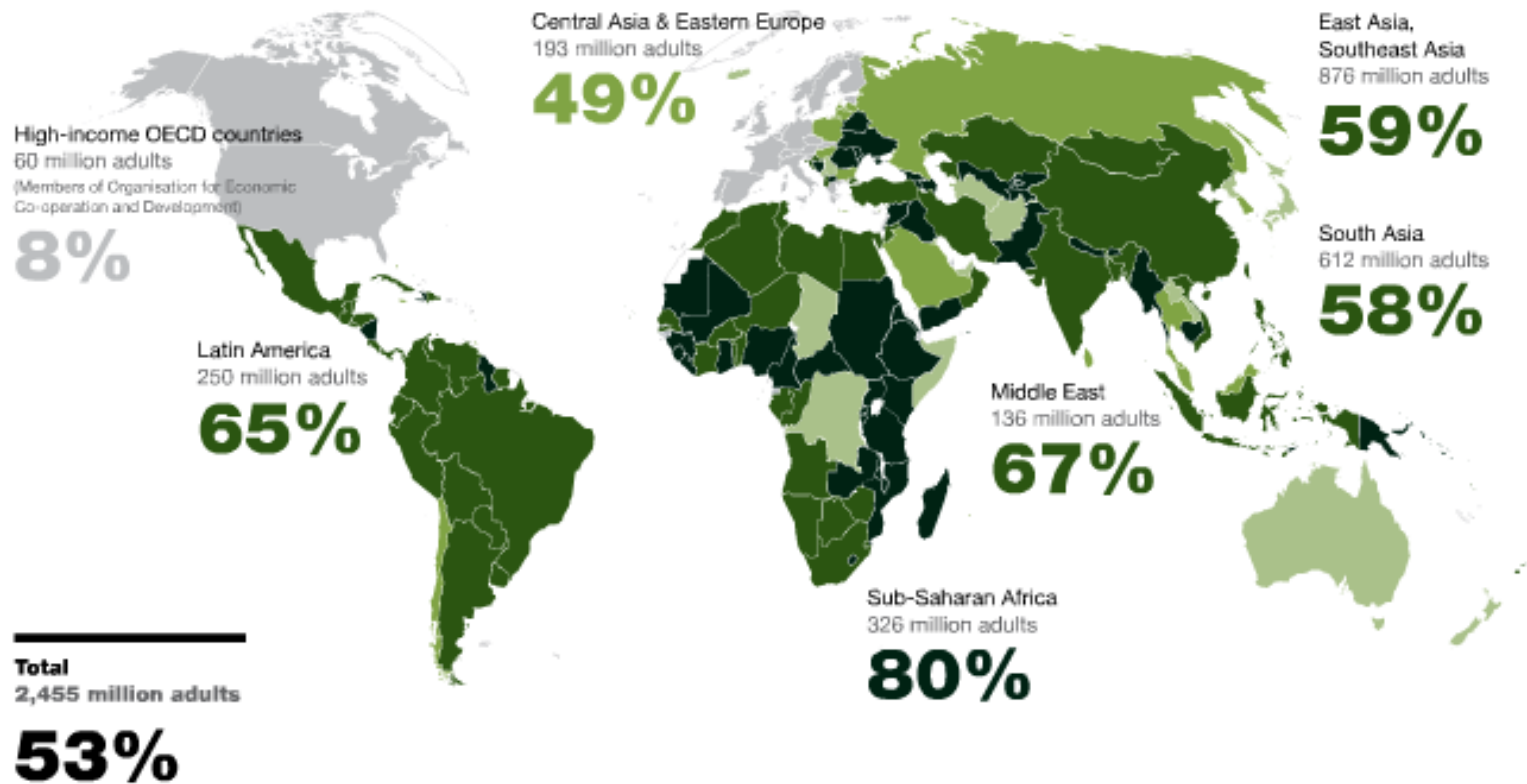
# **A brief introduction to**



## Percentage of Unbanked

0-25% 26-50% 51-75% 76-100%

Estimates used to calculate regional averages



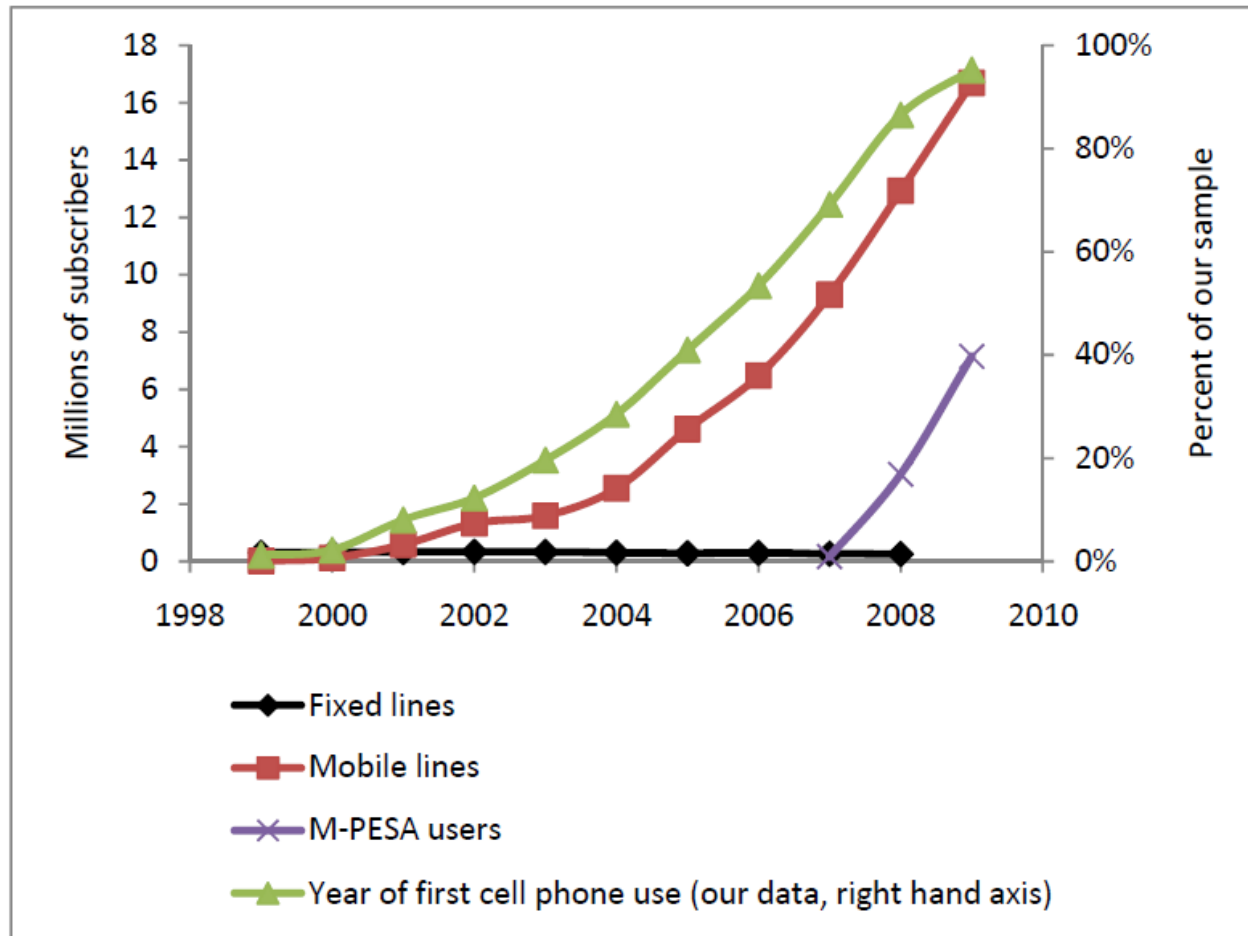
# Difficulty in Cash Transfer

- No bank in a rural area
- No one has a bank account.



- Bring cash by him/herself by bus → High cost
- Ask a bus driver to carry cash → High risk

## Cellphone use in Kenya



Source – Economics of M-Pesa

# Solution: Mobile Banking

- ◉ Transfer money without a bank account
- ◉ Transfer money safely and quickly
- ◉ Low remittance fee – 12% lower than banks<sup>\*1</sup>
- ◉ No long bus journey – reduce cost and time

<sup>\*1</sup> Branchless Banking 2010: Who's Served? At What Price? What's Next?, CGAP, Sep., 2010

# Kenya, a conducive environment for mobile banking

- Large market for domestic remittances with high demand for transfer services
- High literacy levels
- Support of the Central Bank of Kenya
- High Mobile Penetration
- An entrepreneurial base of micro entrepreneurs



# What is M-PESA



- Mobile based money transfer and microfinancing service in Kenya & Tanzania (East Africa)
- “M” is for mobile & “Pesa” is the Swahili for cash
- Operated by Safaricom and owned by Vodacom
- Started in 2007

# Empowering the Unbanked

- M-PESA was designed to provide Financial Services for the many Kenyans without access to conventional banking
- Originally a DFID co-funded pilot to make Finance more accessible
- Business based upon high volumes of low value transactions







# Send pesa by phone

M-PESA is the new, easy and affordable way to send money home.

\* Please see following advertisement for a list of Authorised M-PESA Agents.

Register  
**FREE**  
at any Authorised  
M-PESA Agent\*



[www.safaricom.co.ke](http://www.safaricom.co.ke)  
Terms & Conditions Apply

# What is M-PESA ?

- Money transfer by SMS
- Fast, Safe, and Easy to use
- Available to anyone
  - no need for a bank account
  - no joining fee
  - no monthly charges
  - no minimum balance
- *Pay As You Go* charging model



# What is M-PESA?

- Go to an M-PESA Agent to:

*Buy M-PESA e-money*

➤ Deposit money your M-PESA account

*Sell M-PESA e-money*

➤ Withdraw your e-money as cash

- send money to another by SMS instruction
- buy Safaricom prepaid airtime

# How does M-PESA work ?

- M-PESA is electronic value [e-money] backed by real money in a conventional bank account
- Users can
  - buy e-money for cash
  - send it to others by SMS instruction
  - sell e-money in exchange for cash
- Safaricom has the Trust Account with the real money
- M-PESA records to whom that money belongs

# Cash In / Cash Out

- Local shops register as Cash In/ Out Agents
- Currently over 360 Agents nationwide
  - many are Safaricom airtime dealers
  - others are petrol stations, supermarkets...
- Agents have both cash & e-money floats
- Network being extended to include banks



# Registering for M-PESA

Go to an Agent to register:

1. May need a free SIM card
2. Register account
3. Send M-PESA an SMS

M-PESA will send a new menu



M-PESA menu

## Buying M-PESA value



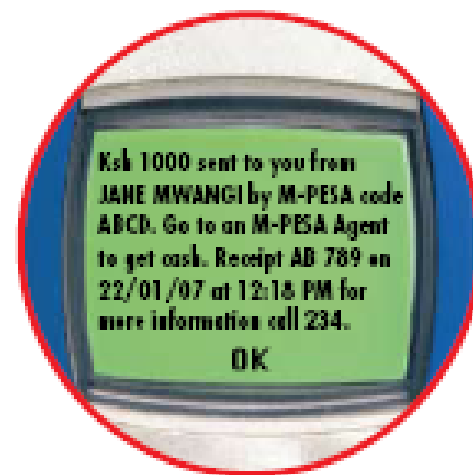
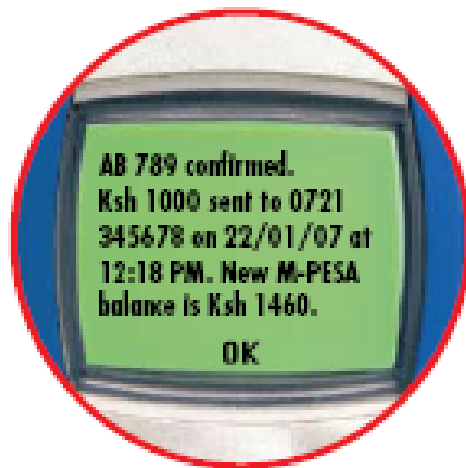
Go to an Agent to buy M-PESA e-money

- Agent uses his phone to send e-money to your M-PESA account
- You both receive an SMS confirmation
- You give him cash in return

## Sending M-PESA value

In your M-PESA menu pick “send money” & enter

1. Recipient phone number
2. How much you want to send
3. Your secret PIN

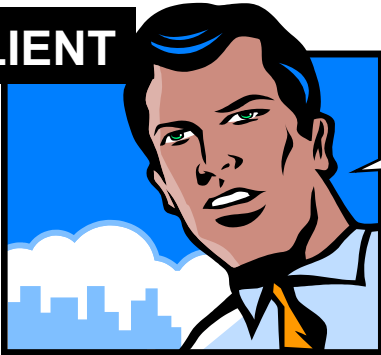


Sender and receiver get SMS confirmation of the transfer



# Withdrawing cash

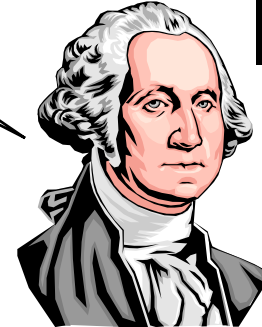
**CLIENT**



Can I  
withdraw  
\$10?

Yes

**AGENT**



*SMS Instruction*  
*Withdraw cash*  
*From Agent*

*SMS Instruction*  
*Give cash*  
*To customer*

**MOBILE NETWORK**

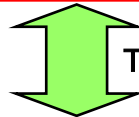
**M-PESA  
ACCOUNT MANAGER**

Transaction information

CLIENT A

AGENT

M-PESA  
ADMIN



# Moving M-PESA in the system

- Agents buy M-PESA e-money for their store floats by depositing money into the M-PESA bank account
- Clients buy it for Cash

## What does it cost ?

- M-PESA is competitively priced
- A full tariff is available. Example charges:

<b>Total Cost of sending:</b>	<b>\$15</b>	<b>\$75</b>	<b>\$150</b>
<b>to another M-PESA customer</b>	<b>\$0.83</b>	<b>\$1.13</b>	<b>\$1.60</b>
<b>to an Unregistered* customer</b>	<b>\$1.13</b>	<b>\$1.50</b>	<b>\$2.65</b>

*\*whether subscribed to Safaricom or another network*

# Need for Over-The-Counter

### **Situation & Problem**

- Neither a sender or a recipient have mobile banking account but they want to send money.

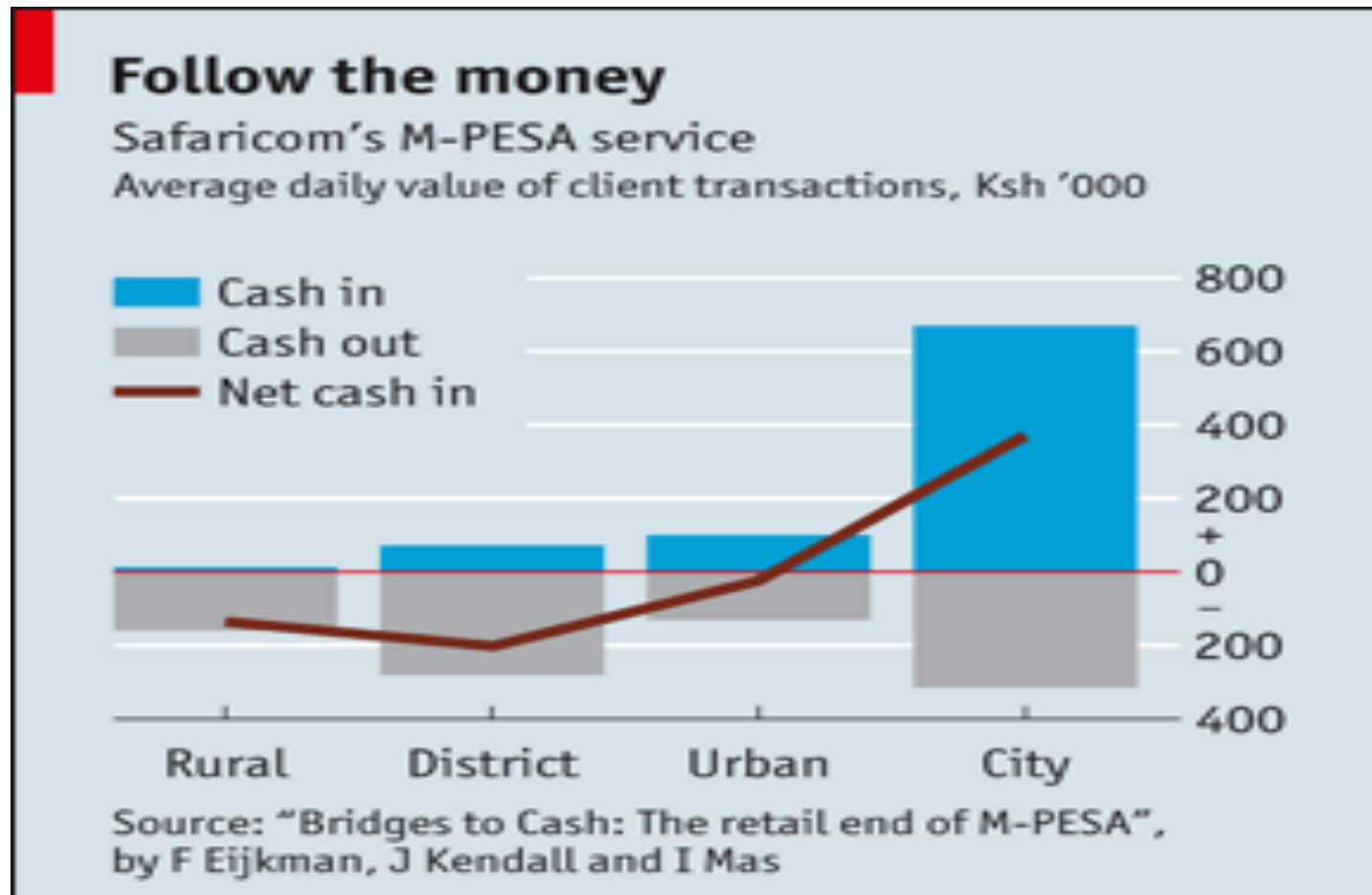
### **Solution – Over-The-Counter**

- A mobile banking agent of a sender transfers e-money by mobile banking on behalf of the sender, charges commission.
- A mobile banking agent of a recipient receives e-money on behalf of the recipient.
- The recipient gets money.

### **Benefit of Over-The-Counter**

- Relieve of account opening requirements
- Eliminate technical limitations

## M-PESA – urban to rural money transfer



<http://www.economist.com/node/16319635>

# Socioeconomic profile of users

	2008		2009		
	Users	Non-users	Users	Non-users	Change
Annual Household Expenditure (USD)	<b>3,600</b>	2,000	<b>2,900</b>	1,400	↓
Household with at least one cell phone	92%	<b>52%</b>	92%	<b>39%</b>	↓
Unbanked	<b>25%</b>	75%	50%	50%	↑
Rural Population	29%	<b>71%</b>	59%	<b>41%</b>	↓
Urban Population	53%	<b>47%</b>	76%	<b>24%</b>	↓

\*\* Source: Jack, William & Suri Tavneet. Mobile Money: The economics of M-PESA

# Future M-PESA Services

Many other services are being developed

- International Money Transfers with Citigroup

- Salary Payments

- Utility payments - rent, pension contributions etc

- Merchant payments [in store]

- Facilitating Microfinance and Banking services

- Government Social Payments

- Cash free “cash on delivery”

