A brief introduction to mPESA
Percentage of Unbanked

- Central Asia & Eastern Europe: 49% (193 million adults)
- East Asia, Southeast Asia: 59% (876 million adults)
- South Asia: 58% (612 million adults)
- Middle East: 67% (136 million adults)
- Sub-Saharan Africa: 80% (326 million adults)

Total: 2,455 million adults, 53% unbanked.
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*1
- No long bus journey – reduce cost and time

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.
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
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

Can I withdraw $10?

Yes

SMS Instruction
Withdraw cash
From Agent

MOBILE NETWORK

M-PESA ACCOUNT MANAGER

Transaction information

CLIENT A
AGENT
M-PESA ADMIN

SMS Instruction
Give cash
To customer
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:

<table>
<thead>
<tr>
<th>Total Cost of sending:</th>
<th>$15</th>
<th>$75</th>
<th>$150</th>
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</thead>
<tbody>
<tr>
<td>to another M-PESA customer</td>
<td>$0.83</td>
<td>$1.13</td>
<td>$1.60</td>
</tr>
<tr>
<td>to an Unregistered* customer</td>
<td>$1.13</td>
<td>$1.50</td>
<td>$2.65</td>
</tr>
</tbody>
</table>

*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

*1 http://www.cgap.org/blog/mobile-money-otc-versus-wallets
M-PESA – urban to rural money transfer

Follow the money
Safaricom’s M-PESA service
Average daily value of client transactions, Ksh ’000

- Cash in
- Cash out
- Net cash in

Rural  District  Urban  City

Source: “Bridges to Cash: The retail end of M-PESA”, by F Eijkman, J Kendall and I Mas

http://www.economist.com/node/16319635
## Socioeconomic profile of users

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Users</strong></td>
<td><strong>3,600</strong></td>
<td><strong>2,900</strong></td>
<td>↓</td>
</tr>
<tr>
<td><strong>Non-users</strong></td>
<td>2,000</td>
<td>1,400</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Annual Household Expenditure (USD)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Household with at least one cell phone</strong></td>
<td>92%</td>
<td>92%</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Unbanked</strong></td>
<td>25%</td>
<td>50%</td>
<td>↑</td>
</tr>
<tr>
<td><strong>Rural Population</strong></td>
<td>29%</td>
<td>59%</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Urban Population</strong></td>
<td>53%</td>
<td>76%</td>
<td>↓</td>
</tr>
</tbody>
</table>

**Source:** Jack, Willian & 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”