

Africa sprints ahead with mobile banking

 By [Vanessa Clark](#)

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With all the right ingredients for a successful banking on-the-go eco-system to develop, Africa is the leading the way in mobile banking.

Visa's 2011 US\$110 million purchase of South African mobile financial services infrastructure provider, Fundamo, certainly let the cat out of the bag. While most of the world might still be feeling their way around mobile banking, many African countries are making giant strides forward in this space and it seems likely that this is where mobile banking models are going to evolve.

The numbers speak for themselves. comScore reported in May 2011 that mobile banking use by cellphone users in the five leading markets in Europe (UK, France, Spain, Germany and Italy) was 8.5%, with France the highest at 10.3%. Compare that to South Africa, where, according to World Wide Worx data from February 2011, 37% of South African cellphone users also use mobile banking services.

Just three ingredients...

To generalise about an entire continent, Africa has three ingredients that make this state of affairs stand to reason.

Firstly, there is the incredible uptake of mobile phones, across all levels of society. According to the African Development Bank, there were fewer than two million mobile phones users in Africa in 1998. This number grew to more than 400 million by 2009.

Secondly, there are a large number of unbanked, or underbanked, people in Africa. A 2009 World Bank report puts this figure at as high as 70% of Africans, while South Africa's First National Bank (FNB) puts this figure at 13 million out of South Africa's population of around 50 million people. Fundamo estimates that 3.5 billion people around the world do not have access to traditional financial services.

Third, much of the continent's population lives in rural locations, with very little access to banking infrastructure. Now add into the mix an urban workforce needing to send money to dependents living in rural areas, often very far away. But with all parties owning or having access to a mobile phone, it was inevitable that this was going to be key to extending banking services to the unbanked.

Rapid uptake of cellphone banking

FNB said in June 2011 that it had seen a rapid uptake of cellphone banking in Africa, with year-on-year growth of 376% in Zambia, 277% in Botswana; 204% in Namibia and 473% in Swaziland. Together, subscribers in South Africa, Botswana, Namibia and Zambia carry out around 1.2 million cellphone banking transactions per month, worth approximately R122 million. FNB has processed more than R1.2 billion in the last year in these countries. In May 2011, FNB also launched mobile banking services in Lesotho.

"The need to transfer money quickly and safely from one person to another is and has always been important in emerging economies," said Danny Zandamela, CEO of FNB Africa in a statement. "Mobile money services offer an inexpensive and convenient method to bridge the gap between the banked and unbanked. The African continent, by pure virtue of being one of the fastest growing mobile phone markets in the world, is the ideal environment for such innovation."

FNB has also seen growth in the remittance space since launching [eWallet](#) outside of South Africa. Since November 2010 the bank has recorded more than 89 000 transactions totalling R31 million in Botswana.

Banking on-the-go

But when it comes to ewallet services, Kenya's M-PESA is the undisputed success story. This is where the model gets flipped on its head, with cellphone operators offering banking services to previously unbanked customers in the form of e-wallets and person-to-person money transfers. Where previously people with no access to banks would have had to rely on cash, even for sending money far distances, they can now transfer money more securely via their cellphones.

Account holders buy electronic funds at an M-PESA agent and send the electronic value to any other mobile phone user in the country, who can then redeem it for conventional cash at any M-PESA agent. From the initial 'send money home' service, M-PESA has expanded to include airtime top-up, bill payments, salary payments, M-KESHO banking services (which allow customers to earn interest) and more recently international money transfer in partnership with Western Union.

According to Safaricom, at the end of April last year, the service had more than 14 million customers and about 28 000 agent outlets countrywide. Over 800 organisations accept payment via M-PESA. Under the auspices of Safaricom's parent company, Vodafone, M-PESA has been exported to Afghanistan and Fiji.

With the African mobile banking market set to grow to US\$22 billion by 2015, and both banks and mobile operators scrambling to own the relationship with the customer, these developments are setting out the playing field for the rest of the world.

ABOUT VANESSA CLARK

Hi! I'm a freelance journalist, copywriter and editor based in Cape Town, South Africa. I write as a journalist and for corporates and agencies. My specialties are business-to-business and technology writing. I like unpacking complex ideas so they are more easily understood - especially when it involves innovation taking place in South Africa, and the rest of Africa.

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