

Money via mobile: the M-Pesa revolution

Using your phone to do your banking and to buy goods and services is becoming more and more common, but in developing world countries like Kenya, the technology to do this has been around since 2007 – and you do not need a bank account to use it.

Kenya has been leading the way with M-Pesa, an innovative mobile phone technology that has transformed the lives of millions of people and businesses. M-Pesa is a mobile money service that allows people without a bank account to transfer funds quickly and easily via SMS. To use the service, customers first register at an M-Pesa outlet, usually a shop, chemist, petrol station or kiosk. They can then load money onto their phone. The money is sent on to a third party by text message. The recipient takes the phone to their nearest outlet, where they can collect the cash.

When M-Pesa was first launched, the idea was to provide microfinance to people who were too poor to obtain loans from the bank. But when people started using the service, it soon became clear that they were using it for much more than repaying microfinance loans. One woman, who was part of a pilot project, texted some money to her husband after he was robbed, so he could catch the bus home. Others said they had used M-Pesa to avoid being robbed, depositing money before a journey and withdrawing it on arrival. Businesses deposited money overnight rather than keeping it in a safe. And workers in the city used M-Pesa to send money to relatives in other areas of the country. It was much safer than the previous option of giving the bus driver an envelope of cash!

Just eight months after its launch, a million Kenyans had signed up to M-Pesa and most of the poorest Kenyans – those earning under \$1.25 a day – had signed up within a few years.

Today there are 20 million users and a hundred times as many M-Pesa kiosks in Kenya as cash machines. Experts think the technology took off in the country because the alternatives were poorly developed. The road infrastructure and the landline telephone network were inadequate and the banking system was too inefficient to make a profit from serving the low-income majority.

After the success in Kenya, M-Pesa services spread to other African countries as well as places such as India. Today there are a lot of similar mobile money services, mostly in developing countries. There are still 1.7 billion unbanked people in the world, but that number is falling fast – driven largely by mobile money. (source: The BBC)

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