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Mobile Banking and Financial Inclusion: The M-PESA Case Study



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February 9, 2011

M-PESA: Kenya's mobile money

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MIT Sloan School of Business

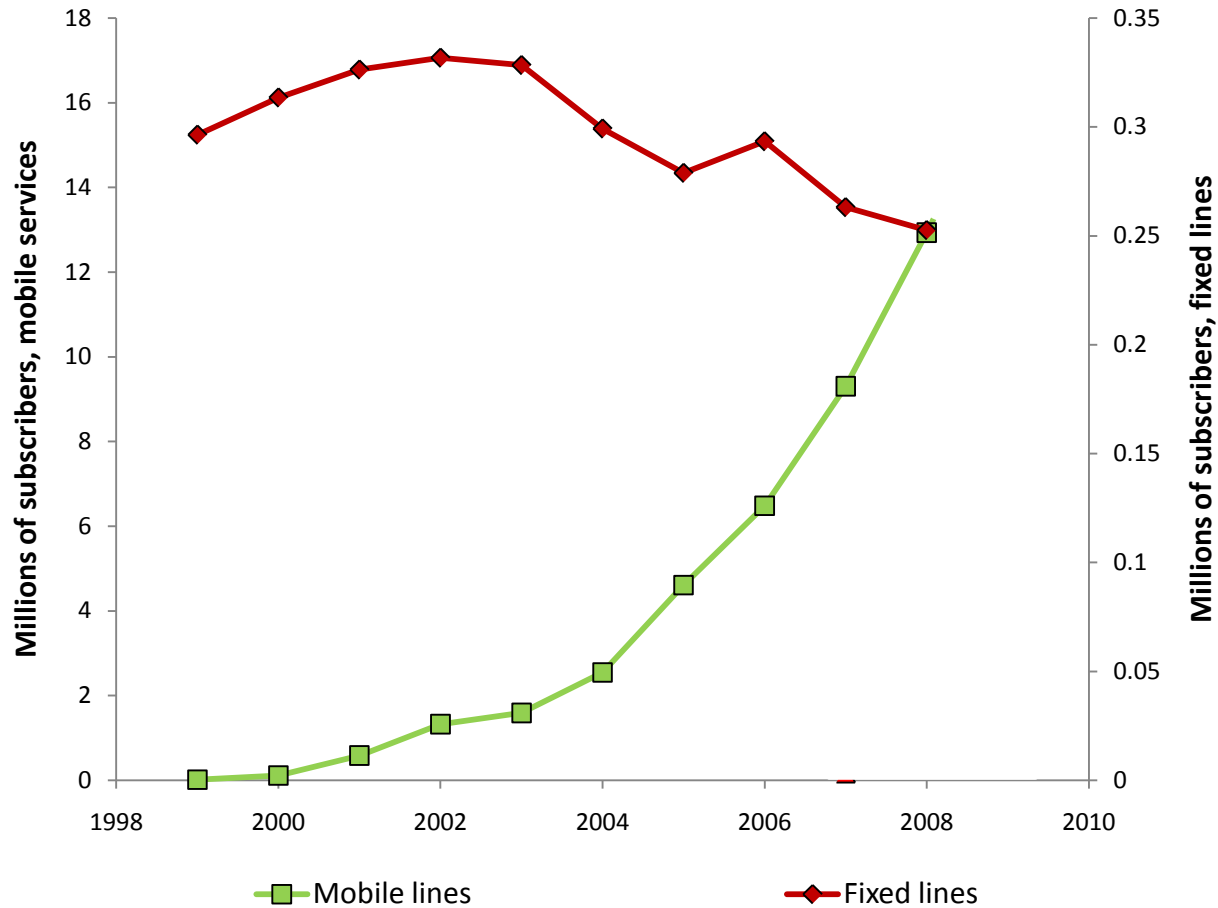
After Hours Seminar, USAID

February 9, 2011

Financial Intermediation



Mobile telephony in Kenya



The solution: M-PESA

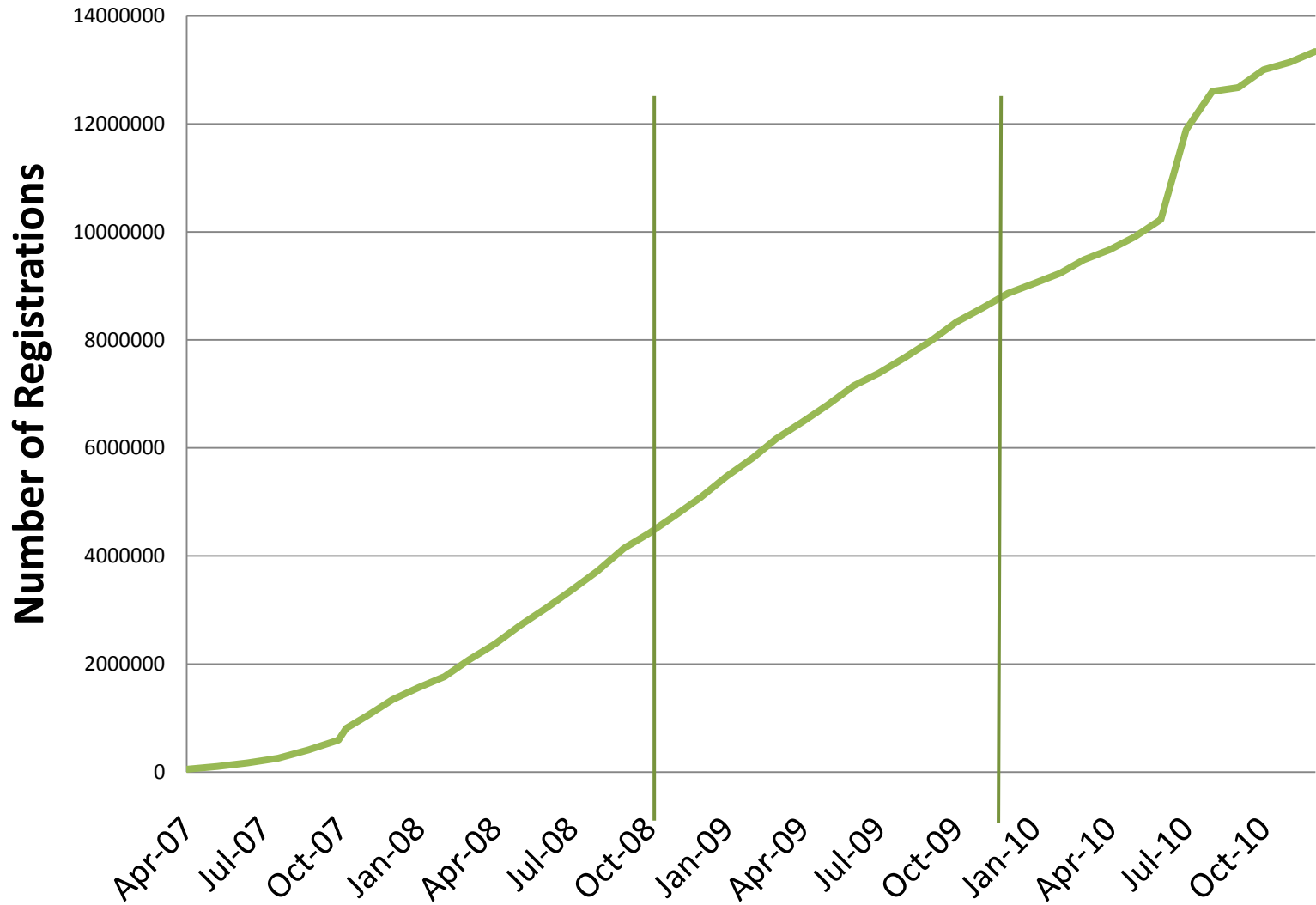


The M-PESA concept

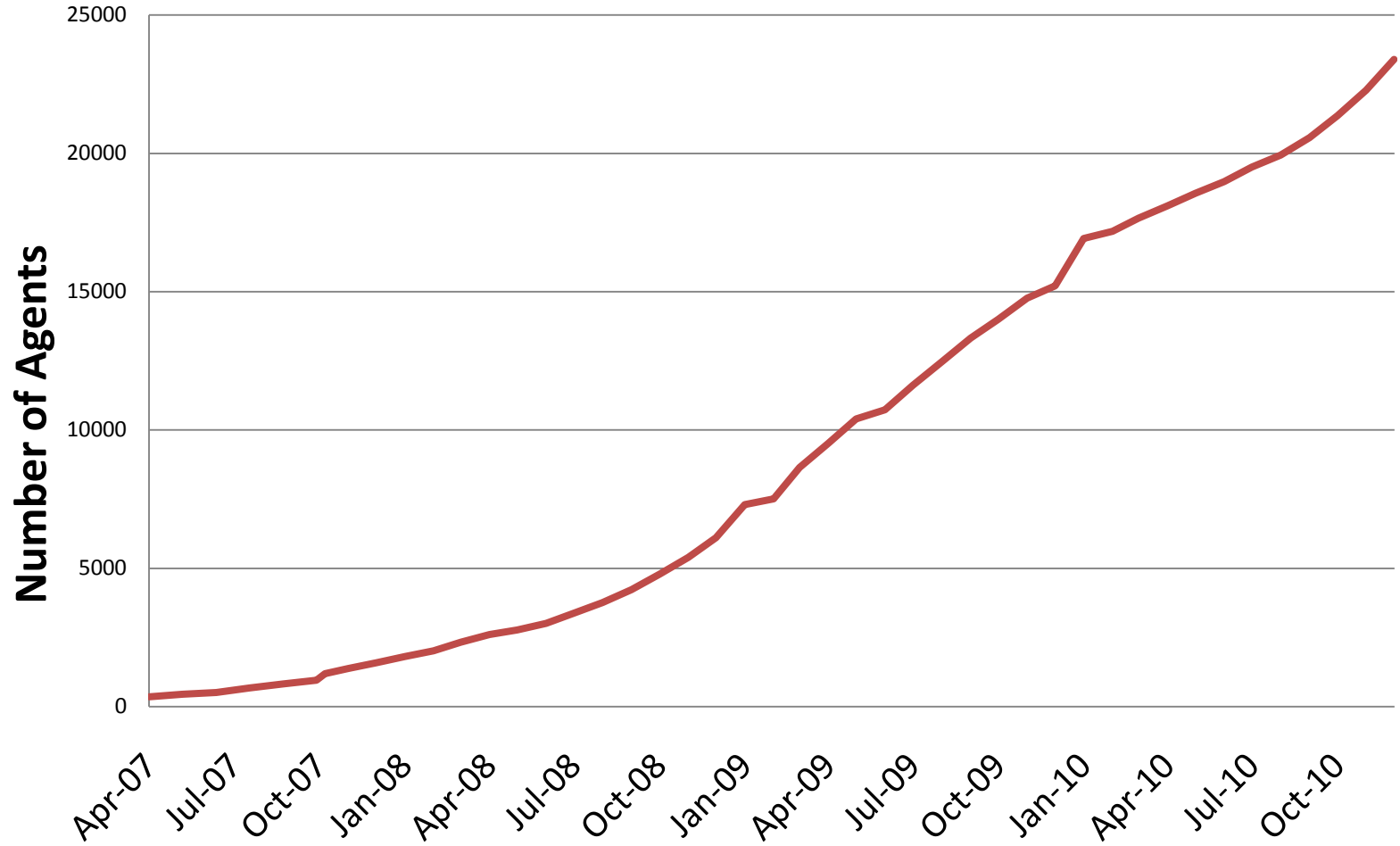
- Remote account storage accessed by simple SMS technology
- Cash-in and cash-out services provided by M-PESA agents

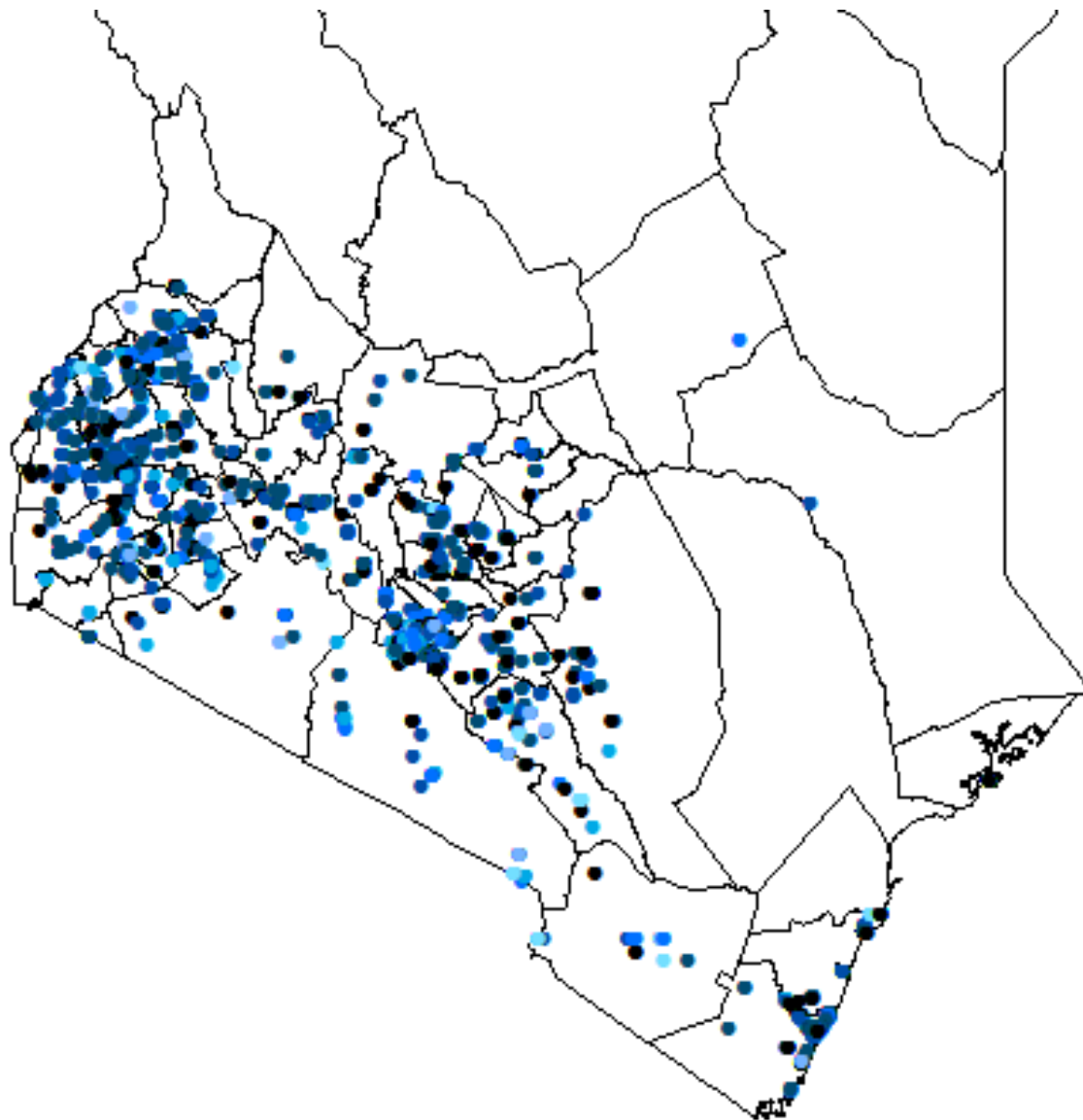


Adoption of M-PESA



Growth of Agents

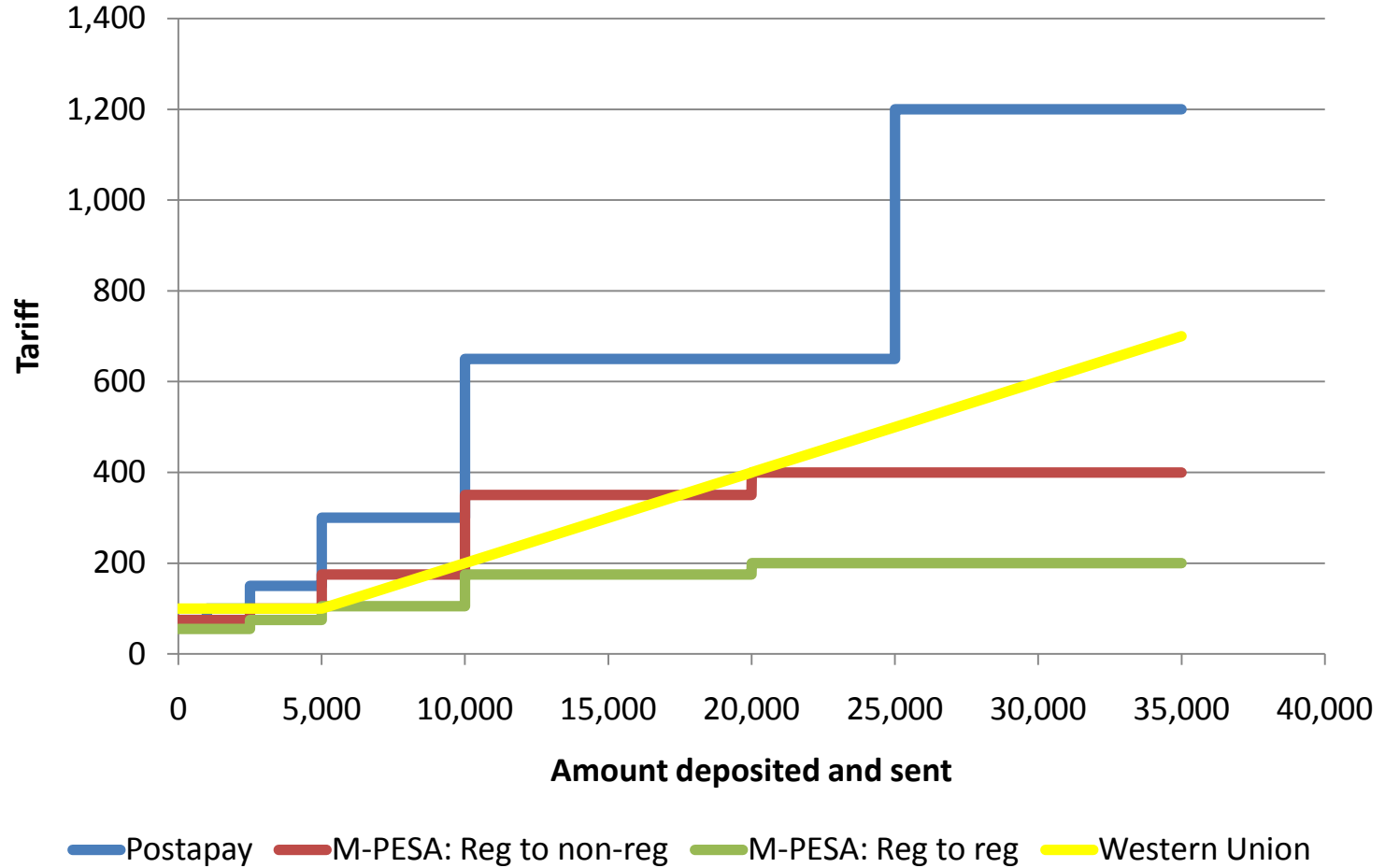




June 2010

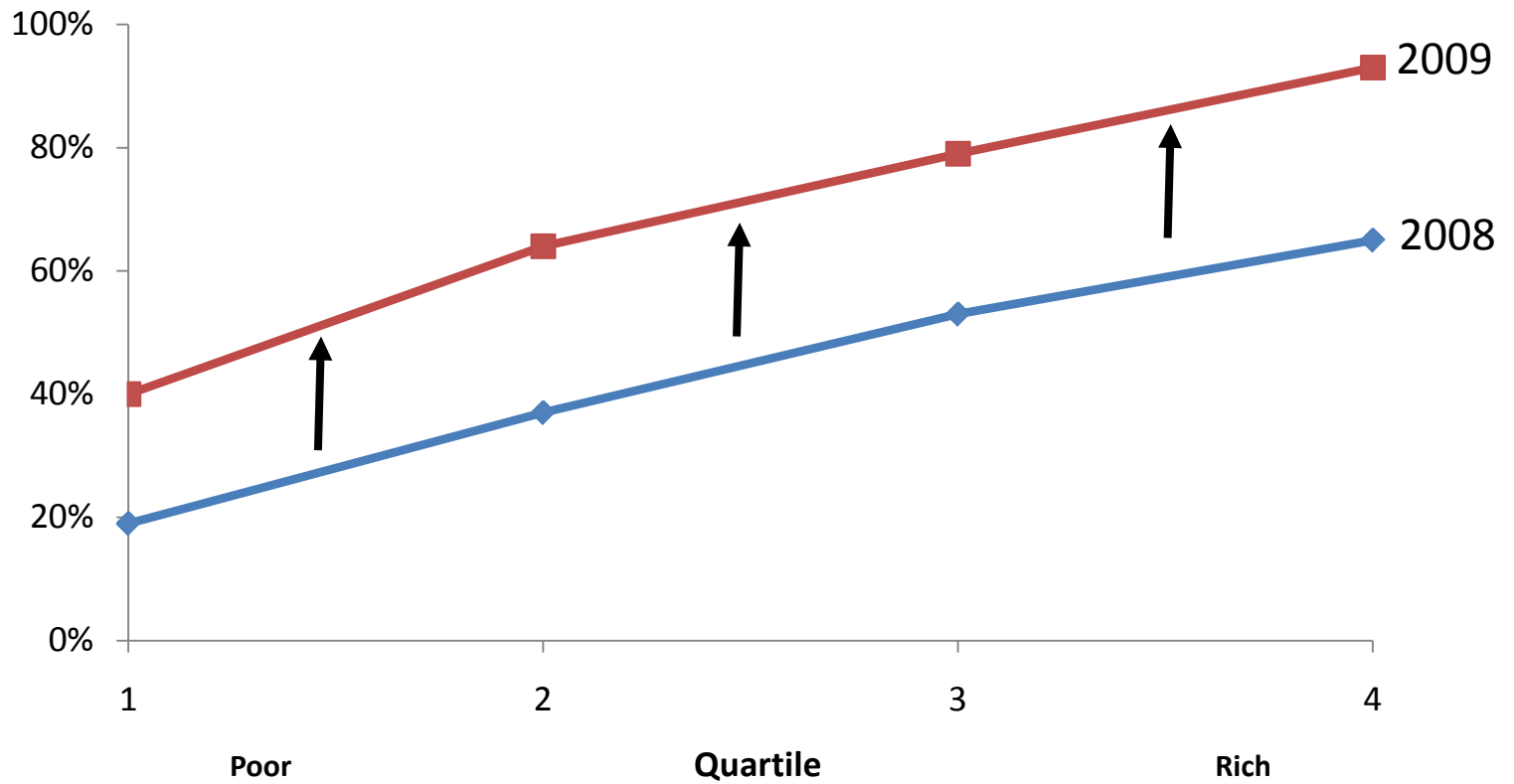
Note: partial data only

Transaction costs



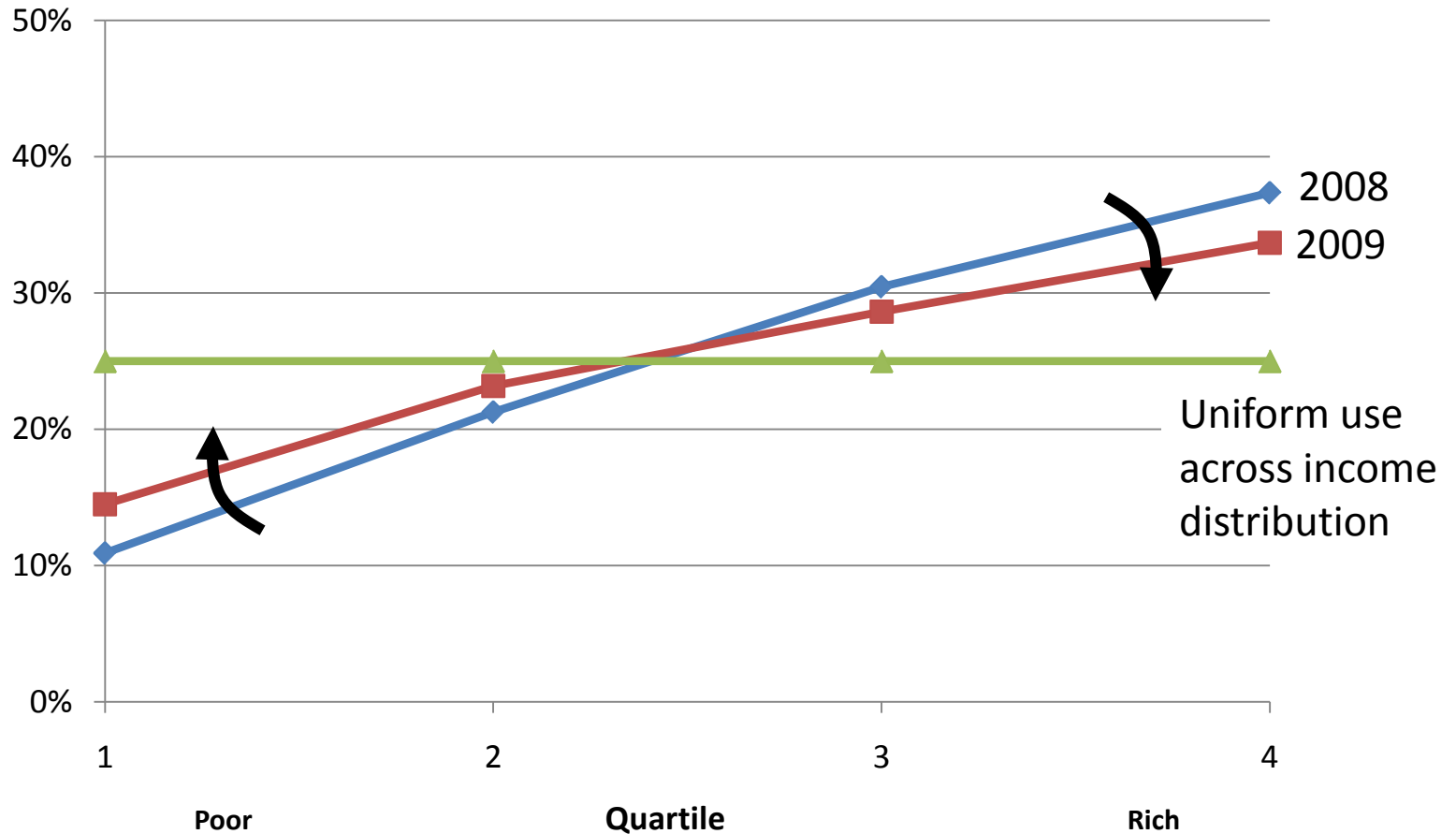
Reaching out

Share of each quartile who are M-PESA users



Reaching down

Share of all M-PESA users from each quartile

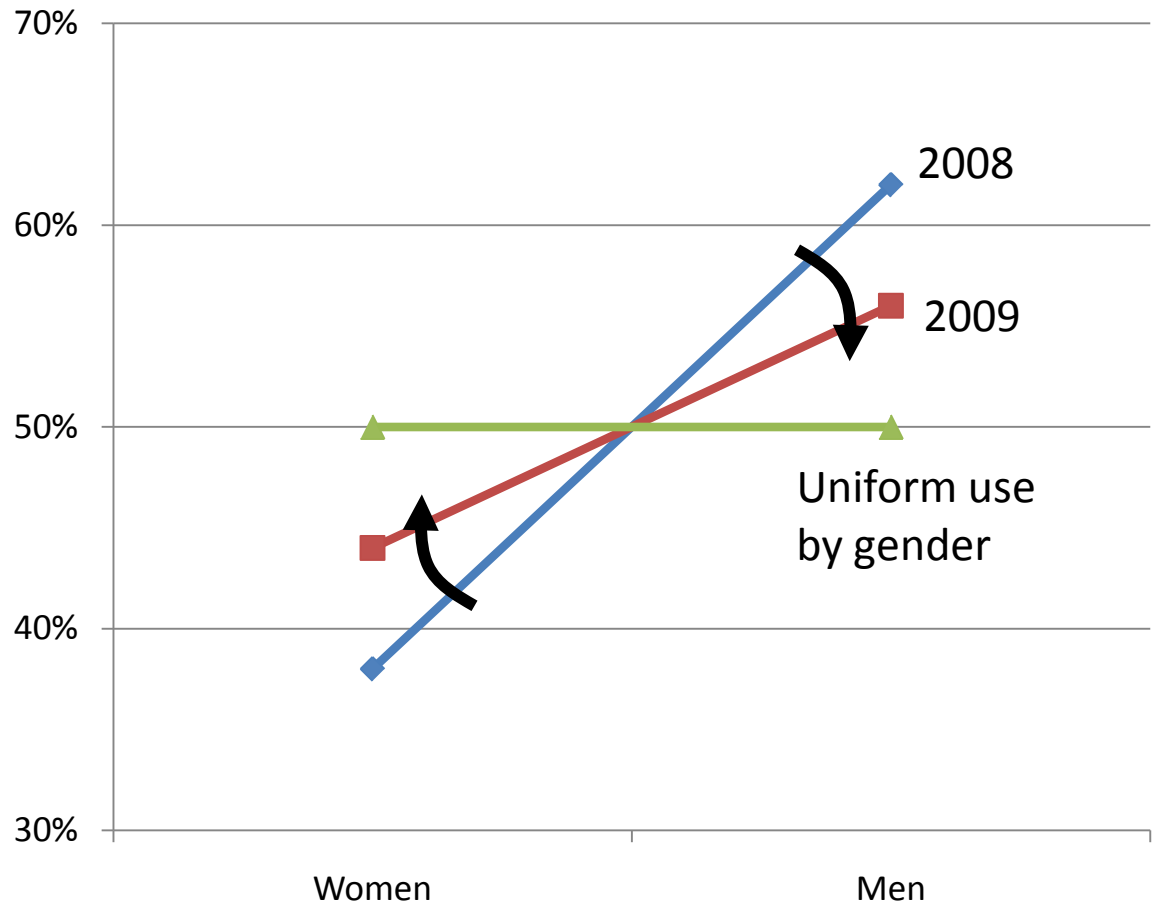


Reaching women

User shares by gender

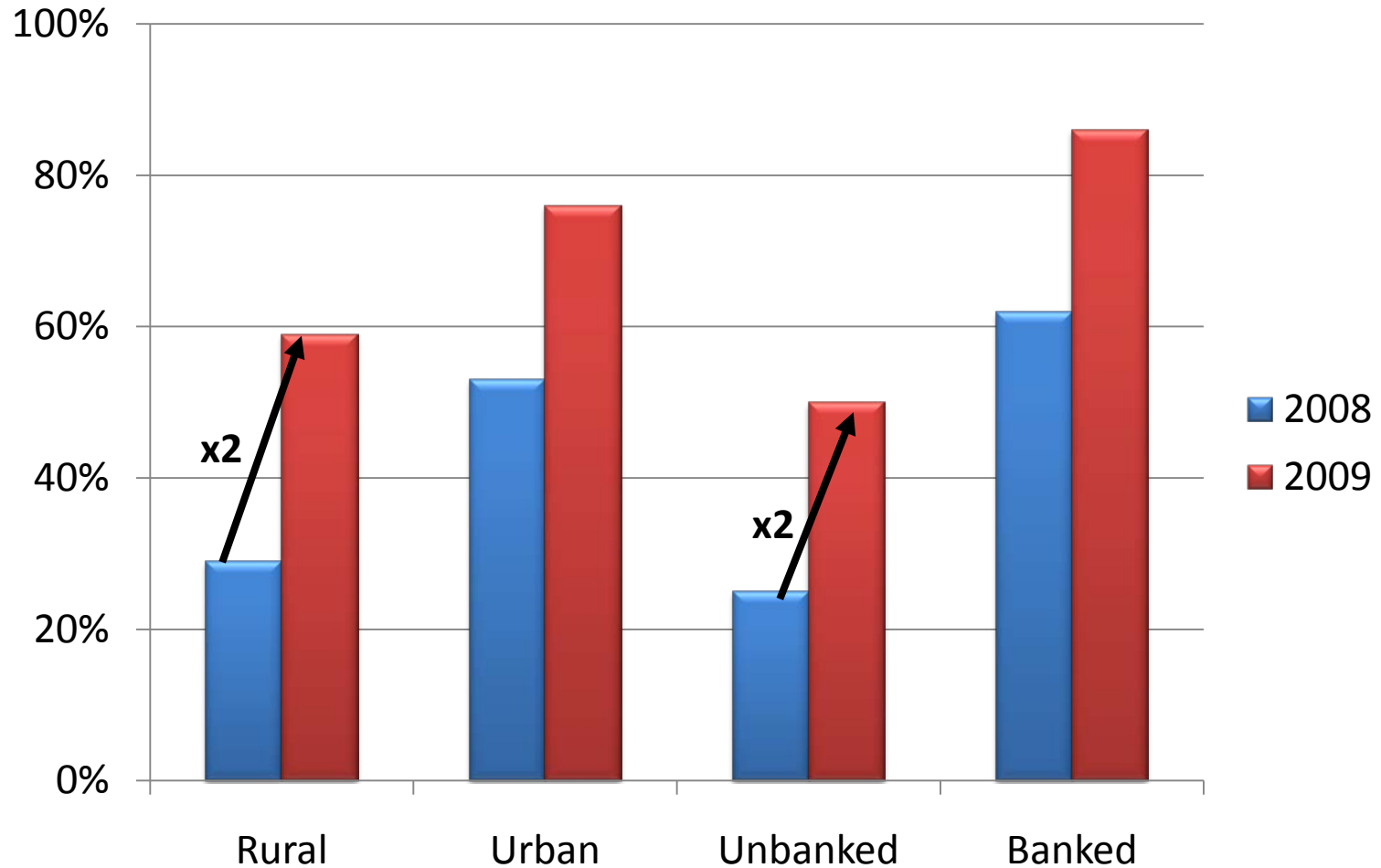
	2008	2009
Women	14.7%	40.2%
Men	24.9%	51.1%

Share of all M-PESA users by gender

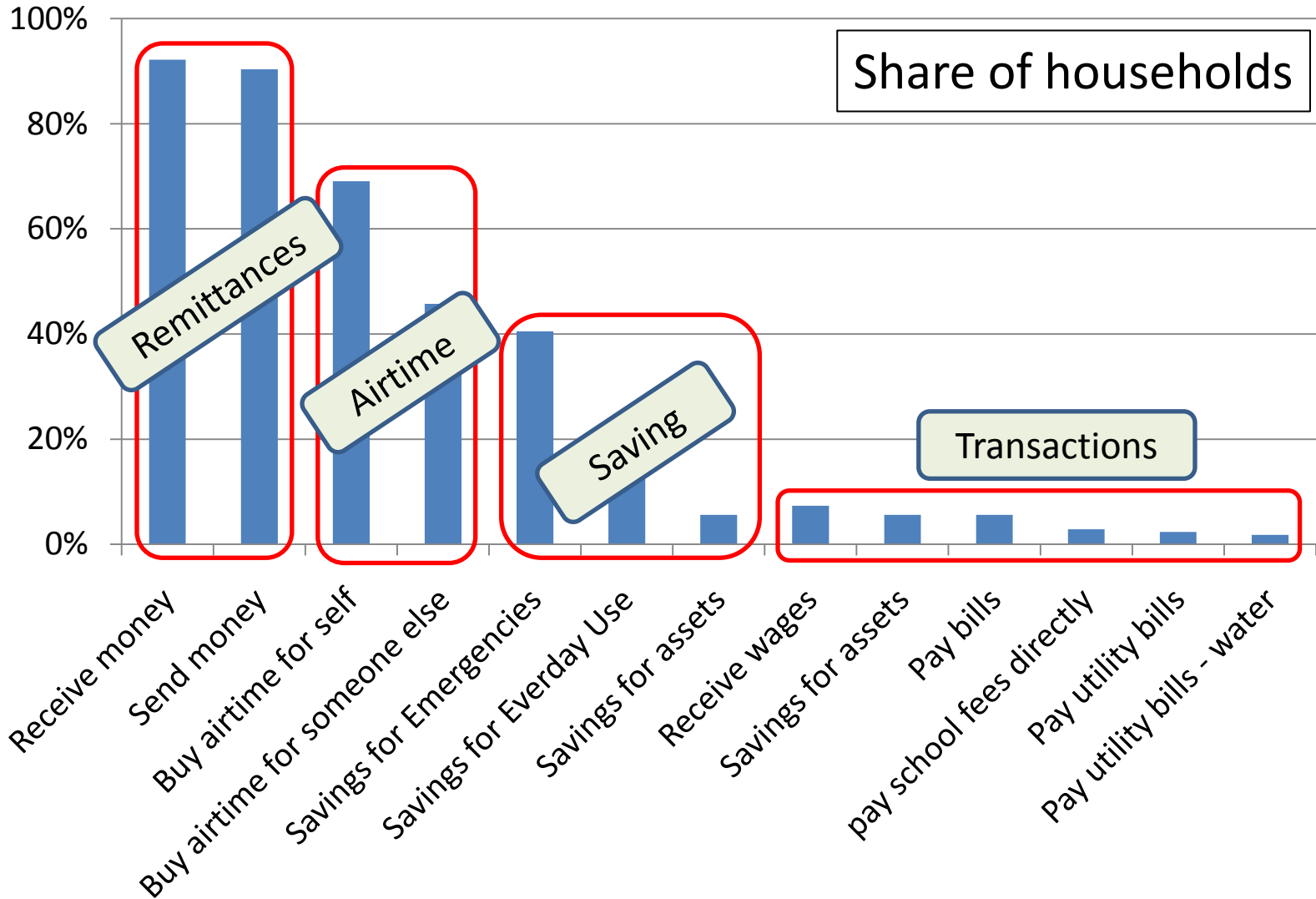


Increased penetration

Share of each group who are users



Uses of M-PESA



Internal remittances in Kenya

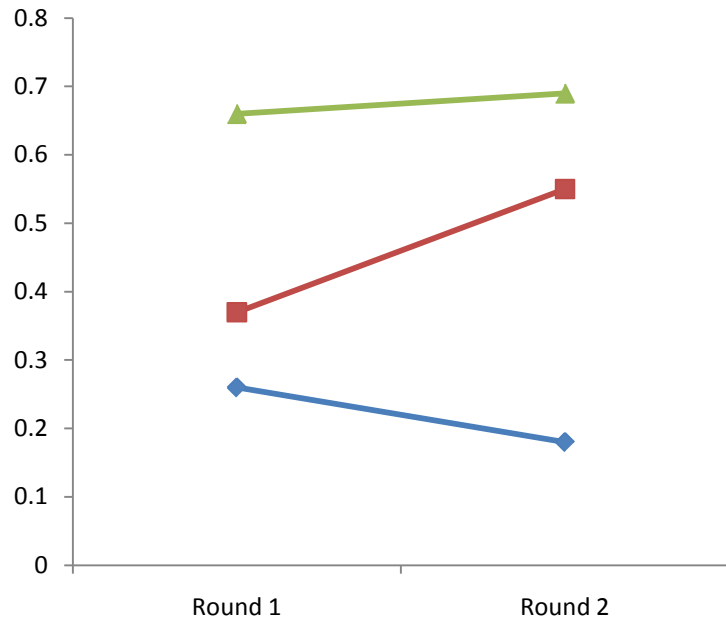
Shares of households making remittances

	2008		2009	
	Send	Receive	Send	Receive
<u>Total</u>	46%	38%	49%	45%
<u>By geographic location</u>				
Rural	34%	< 36%	36%	< 45%
Urban	55%	> 40%	58%	> 46%
<u>By M-PESA use</u>				
Non-user	32%	26%	17%	19%
User	65%	54%	63%	58%

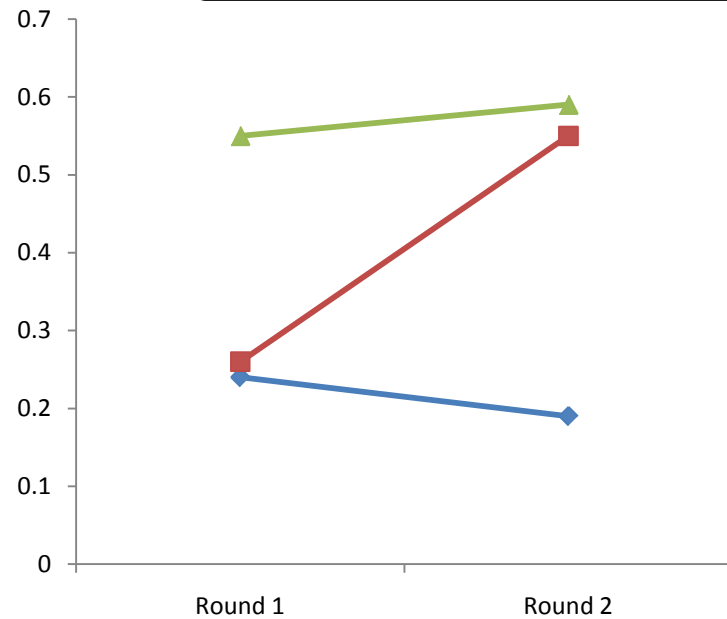
- Suggestive of net urban-rural flow?
- M-PESA → remittances, or remittances → M-PESA?

M-PESA adoption and remittances

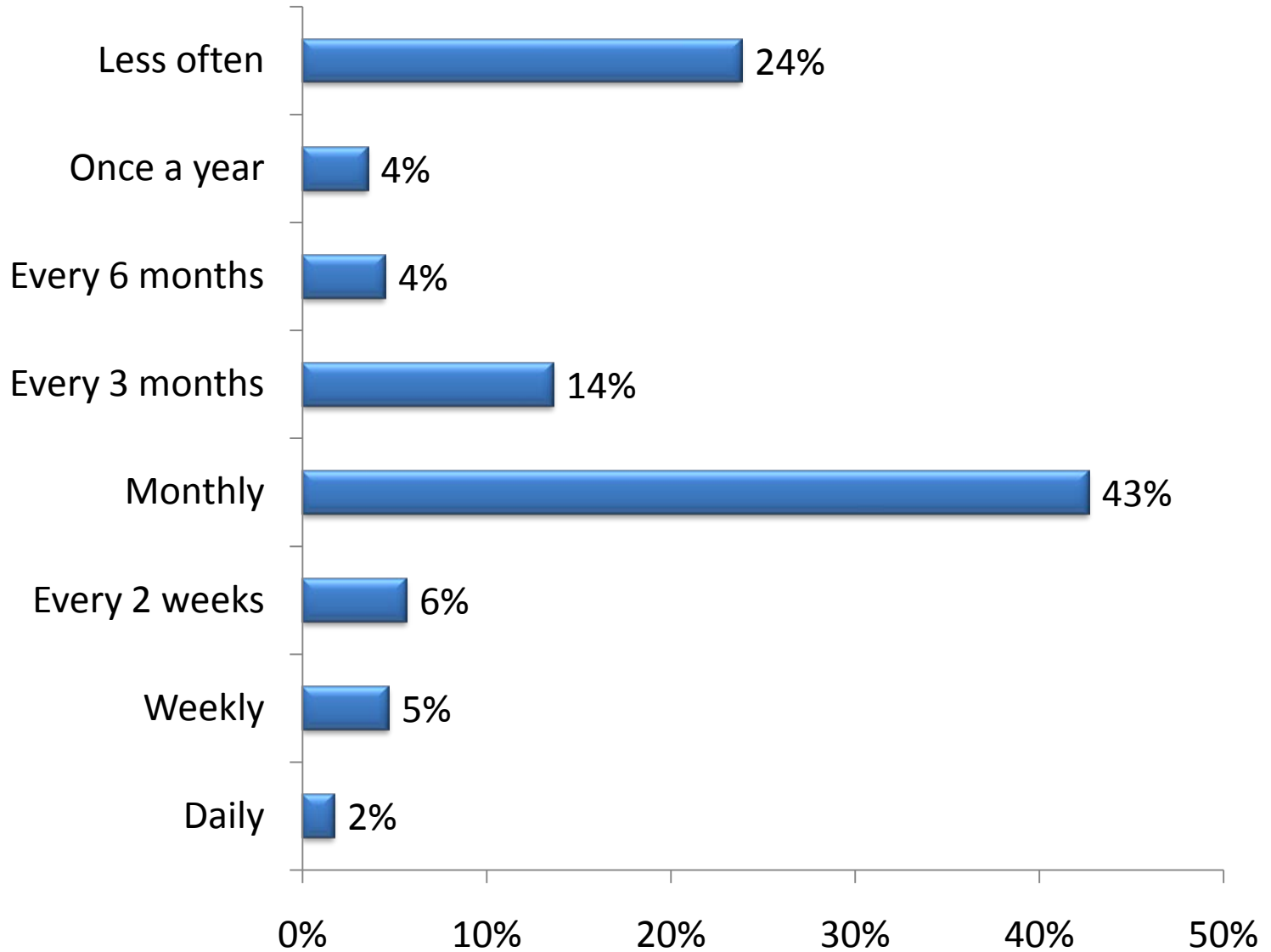
Share who send money



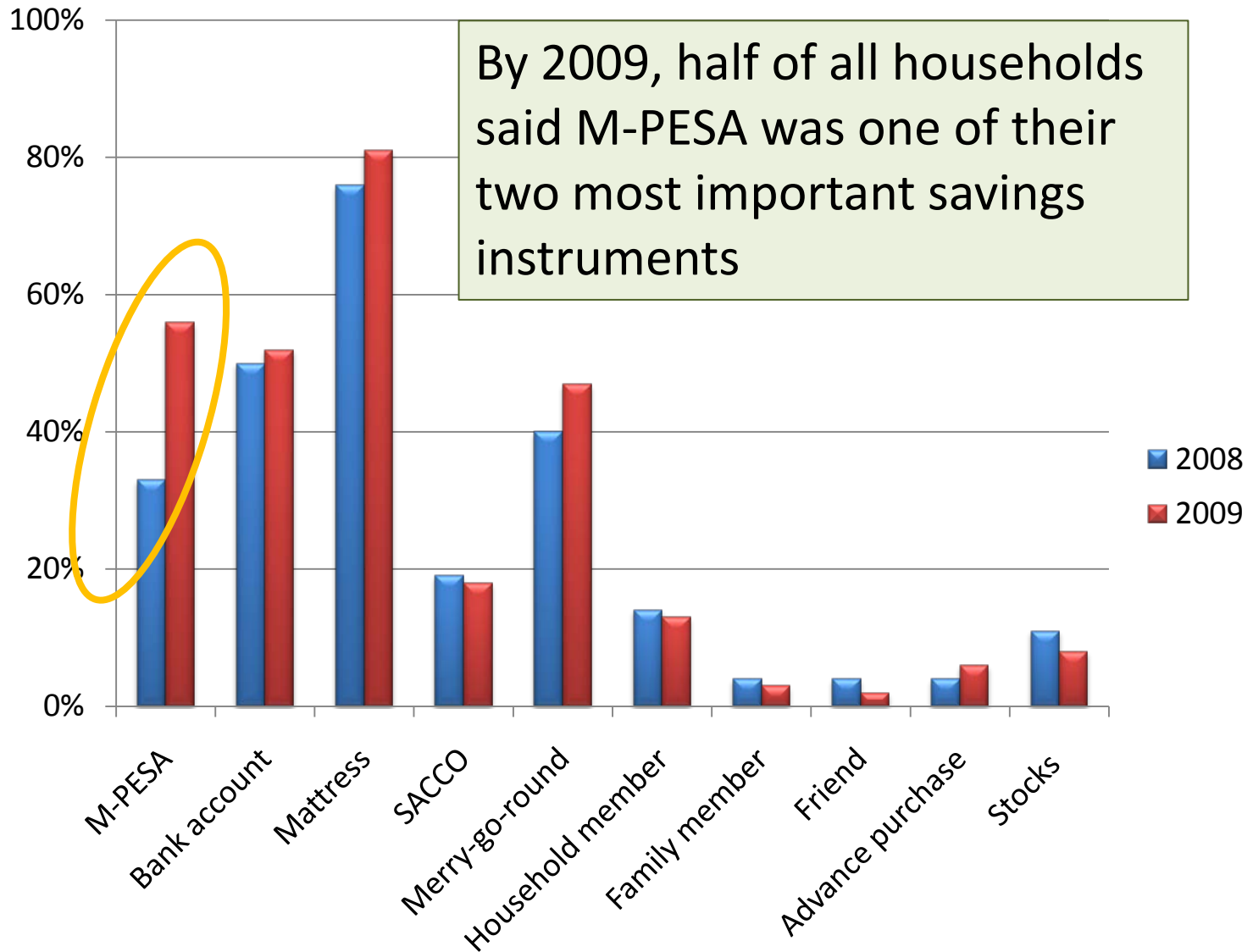
Share who receive money



Frequency of M-PESA Use



How households save



Impact on risk

- Life in developing countries can be precarious
 - Crop failure, Health shocks, Job loss, etc.
- M-PESA users are much better able to protect themselves against these shocks than are non-users
 - True for households with users
 -for households who live close to M-PESA agents
 -for both
- Mechanism is remittances
 - M-PESA users are more likely to receive help when hit by bad luck
 -and if they receive anything, they receive more

Beyond remittances

- Bill-pay options – e.g., power, insurance, etc.
- Local public goods: purchase and maintenance
- B2B use and business development
- Micro-finance
- *m*-health

Bill pay



The Kenya Power & Lighting Co. Ltd.

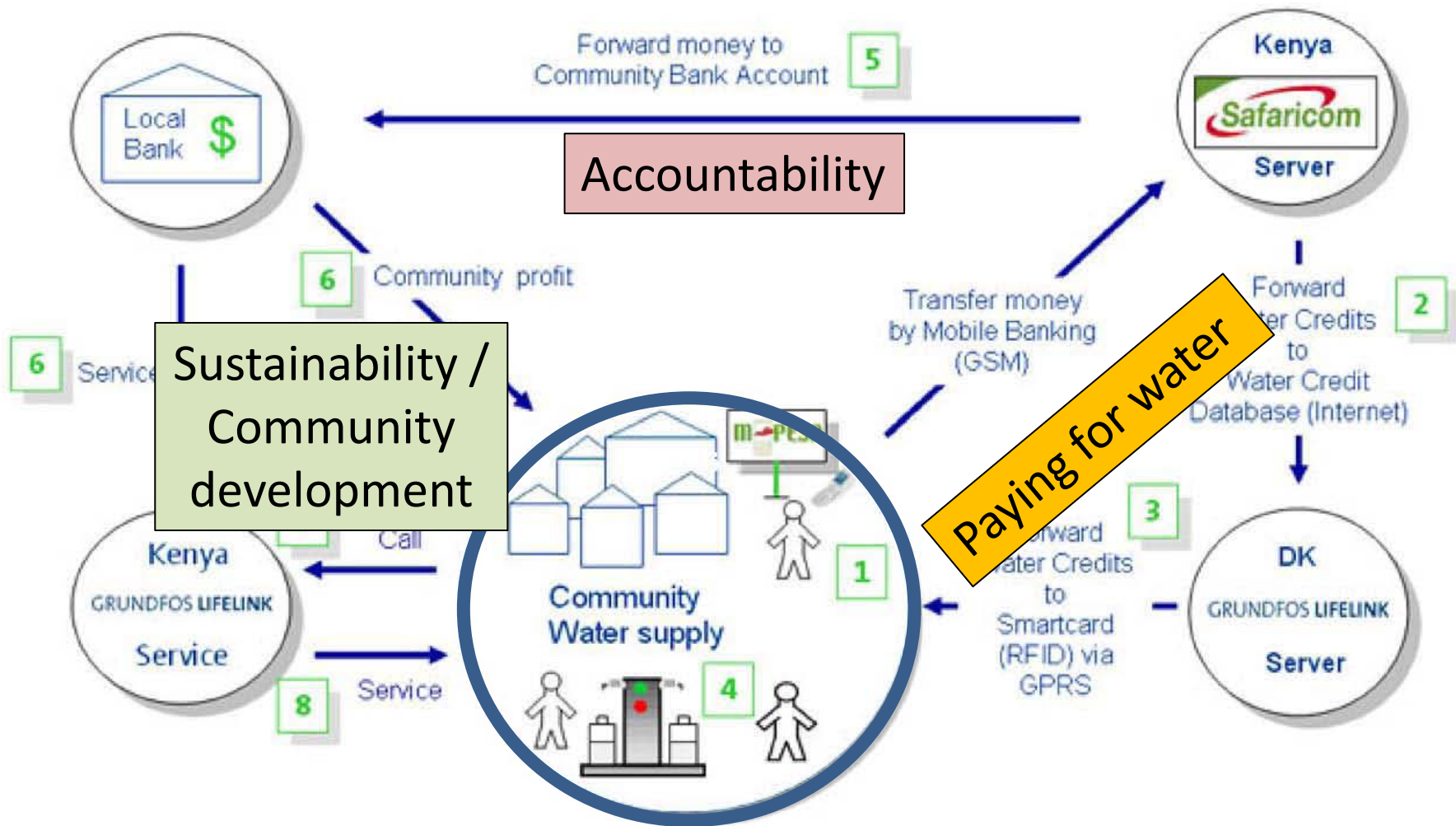


The problem of local public goods



Finance

Grundfos and mobile money

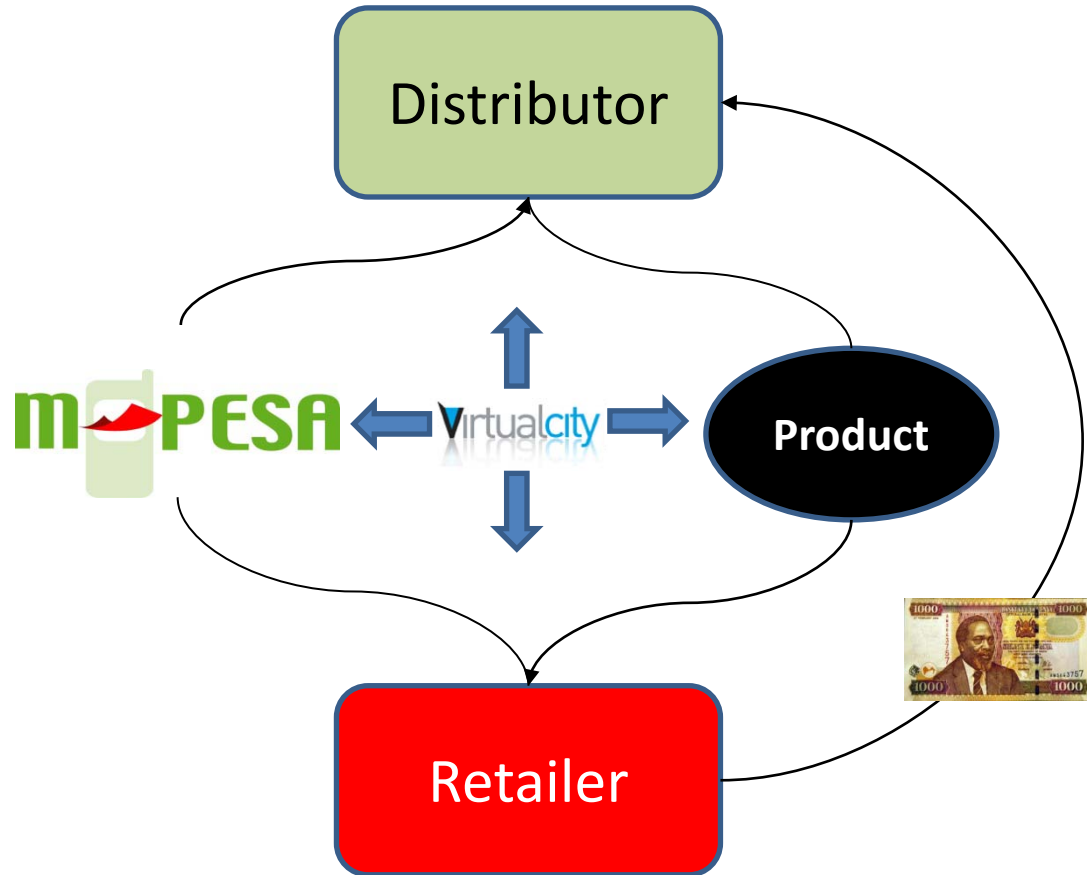


B2B transactions

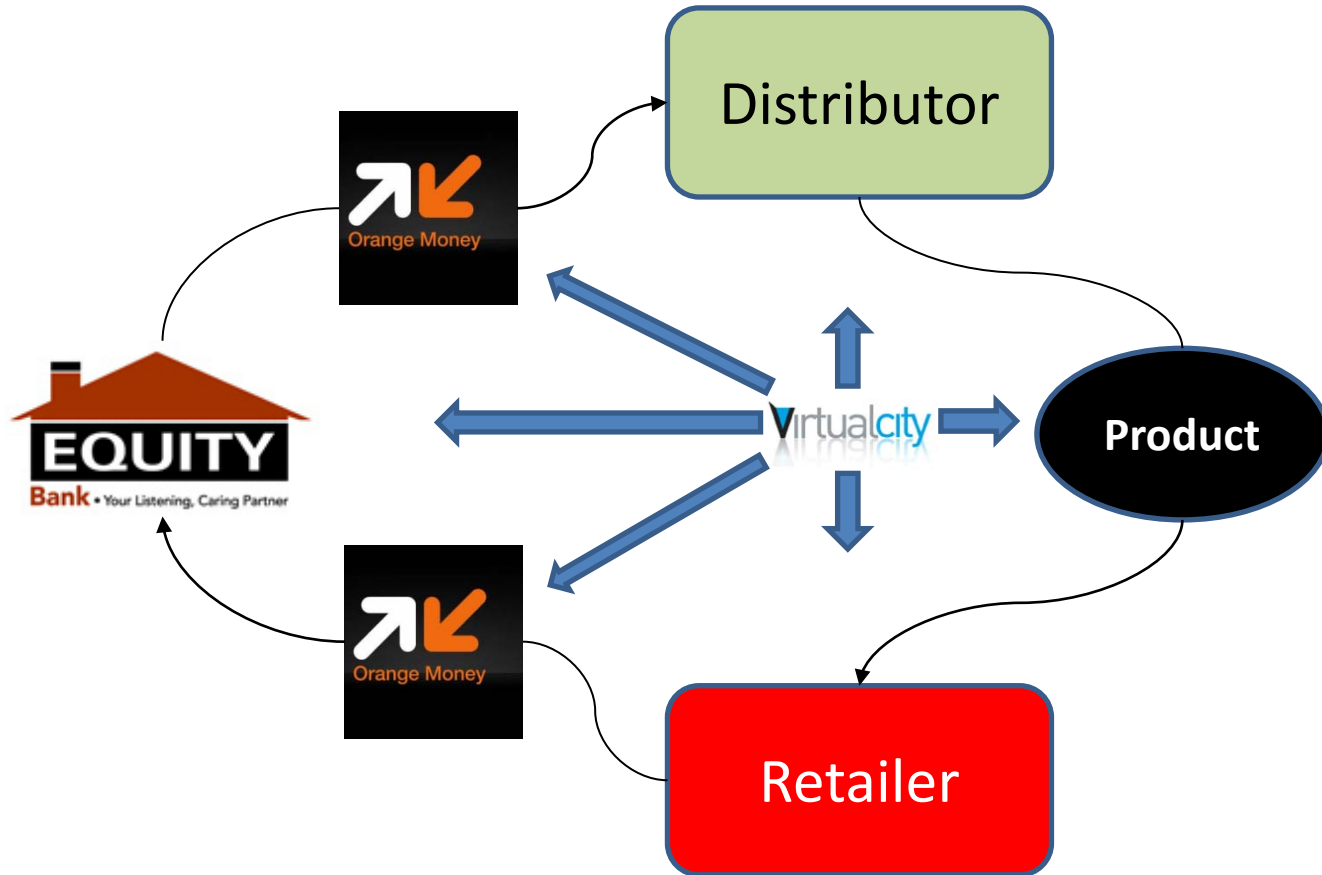
- Can mobile money help rationalize retail distribution?



Supplier-financed trade credit



Bank-financed trade credit



Mobilizing Micro-finance



cost

High-touch model

- Group meetings
- Cash transactions
- Paper book-keeping

cost

Low-touch model

- Infrequent meetings
- E-money transactions
- Electronic book-keeping

m-health

- SMSs to improve ARV adherence
- Maternal health management
- Vouchers via M-PESA – Lifelink for health workers?
- Saving during pregnancy?
- Crowd-sourced accountability





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THANK YOU!

For more on this topic, check out the resources below!

• ***FS Shares Series #9, Enabling Mobile Money Interventions & Innovations in Financial Services Delivery: Branchless Banking.*** Chemonics. Available at <http://bit.ly/aO7VJr>

• ***Mobile Banking Technologies: Improving Financial Access for the Unbanked.*** Microfinance Club of New York. Available at <http://mfcny.org/node/188260>

Innovations in Financial Services Delivery: Branchless Banking. FS Share. Available at <http://www.fsshare.org/content/innovations-financial-services-delivery-branchless-banking-0>