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Mobile money in Africa

Press 1 for modernity

One business where the poorest continent is miles ahead

MANY people know that "mobile money"-financial transactions on mobile phones-has taken off in Africa. How far it has gone, though, still comes as a bit of a shock. Three-quarters of the countries that use mobile money most frequently are in Africa, and mobile banking in some of them has reached extraordinary levels.

A new survey of global financial habits by the Gates Foundation, the World Bank and Gallup World Poll found 20 countries in which more than 10% of adults say they used mobile money at some point in 2011. Of those, 15 are African. In Kenya, Sudan and Gabon half or more of adults used mobile money. In contrast, in countries with more developed financial systems, the share of adults who use mobile money is tiny-1% in Brazil and Argentina. If you

think of banking by phone as just a way of using financial services, then these African countries-where people sometimes live several days' walk from the nearest branch-are much more financially literate than you might think, just by looking at how many banks they have.

Most mobile-phone transactions are tiny. Market traders, for example, use mobile phones to pay peasant farmers for a single bag of cassava or maize-meal. One of the most successful mobile-phone products in Kenya is a **SIM** card costing just a few cents-but that is all people need for the occasional transaction. Mobile phones are also used to bank remittances from family members abroad. This may explain why mobile money has done so well in Somalia, a country which barely has a government, but where a third of adults said they used mobile money last year. Somalia is one of the countries that most depends on remittances: one study found that 80% of the capital for start-up firms came from the diaspora. Without mobile banking, this lifeline would be weaker than it is.

For the most part, mobile-phone money is a substitute both for paper-based banks and for, say, sending cash via a bus driver. It enables people who cannot get to a branch or **ATM** to use financial services. This helps offset the bias of the banking system towards the well educated. In Africa only about 10% of people with primary or no education have bank accounts, compared with 55% of those with tertiary education. But rates of phone banking in some countries are high enough to prove that the practice is spreading beyond university graduates to the rest of the population.

Sometimes, though, mobile banking goes hand in hand with the familiar kind. In Kenya, where a staggering 68% of adults use mobile money (by far the highest rate in the world, partly because regulation is extremely light), more than 40% also have ordinary bank accounts. The leapfrogging technology can also help the old-fashioned kind it has just vaulted over. •

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