



Supporting technological innovation to improve financial inclusion

PROJECT PARTNERS

Funders: Department for International Development (DFID)

Collaborating research institutions: GSMA, M-KOPA, Safaricom, Sagentia, Vodafone

A mobile banking system targeting the rural poor is transforming the financial sector across Africa and Asia, enhancing household resilience, boosting economic activity and creating new enterprises and jobs.

Financial inclusion can drive development. A third of adults in low- and middle-income countries (LMICs) do not have a bank account. However, mobile banking services have boomed in the last decade. Since its launch in Kenya, mobile banking system M-Pesa has recruited over 28.5 million users across East Africa and gained considerable traction in India.

Timeline:

- **2000:** DFID establishes the Financial Deepening Challenge Fund to improve availability of financial services in 15 countries in Africa and Asia.
- **2003:** £1 million awarded to Vodafone to launch mobile currency service allowing small business owners to repay micro-finance loans by text. Mobile app and software are developed by UK-based R&D firm, Sagentia.
- **2007:** The app's potential in enhancing financial inclusion among Kenya's unbanked population is recognised, and M-Pesa is launched. 1.2 million users join within first year.

Sending money securely

M-Pesa transfers are easy, reliable and cheap: it costs 47p to transfer £10. Cheaper transfers allow users to send remittances more regularly, enhancing urban-rural support networks and encouraging household saving. Secure and reliable remittances are particularly liberating for women, reducing reliance on male relatives who may be freer to travel to a remittance centre. Withdrawing money is also simple: there are over 160,000 M-Pesa agents in Kenya alone. This network saves rural people time and money travelling to a bank.

Supporting enterprise

M-Pesa has helped small- and medium-sized enterprises overcome business challenges. Its secure and reliable payment system has helped companies lower their transaction costs. M-Pesa has been credited with boosting the Kenyan economy, contributing to the country's 14% per capita real income growth and 3.4% total factor productivity growth between 2006 and 2013.

People in rural areas have been able to start their own business ventures, knowing they have savings to fall back on. M-Pesa has also provided loans to kickstart small enterprises. For example, the M-Pesa Women Empowerment Initiative in rural Tanzania combined interest-free loans and business training. In India, digital platform system M-Pesa Pay enables merchants to receive cashless payments from customers.

Ensuring a sustainable future

M-Pesa is also used to pay bills. Working with M-KOPA (a solar energy company also receiving DFID funding), M-Pesa allows users to rent a solar home system and pay for the energy by text. This pay-as-you-go system makes sustainable energy affordable for low-income families.

M-KOPA had connected 600,000 homes by January 2018, and projects US\$450 million customer savings and 780,000 tonnes CO₂ reductions within four years.

Tackling corruption

By recording transactions and ensuring they are traceable, M-Pesa helps tackle corruption. In Afghanistan, using 'M-Paisa' to pay police officers ensured that officers received their full wages (30% higher than what they usually received) by removing the opportunity for their superiors to take a cut. In India, M-Pesa is also being used to transfer welfare benefits and help reduce welfare corruption.