



ICT ENABLED SERVICES: THE CASE OF MOBILE MONEY TRANSFER IN KENYA

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Outline

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 - Policies & outcomes in the ITES
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 - Policy perspectives on MMT services
 - Operations of the MMT market
4. The potential and development impact of MMT
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Background

- ICT enabled services
- ICT contribution to GDP since 2011:11.8%
- ICT output value in 2015: Ksh 280 million
 - Embracement of technology by sectors
 - ❖ Finance Health education government
 - Government underscoring ICT in vision 2030
- What comprises ICT in Kenya?
 - Postal & Telecommunications
 - ❖ Mobile, fixed line & Internet/data services
- Definition: ICT enabled services



Background

- Consensus: potential for ITES sector
 - Singled out in vision 2030
 - Legal framework conducive to boost ITES/BPO sector
 - Funding efforts
- What is the Goal of this paper then?
 - Provide an analysis of ITES industry: MMT
 - Industry's potential:
 - ❖ Market opportunities
 - ❖ Development impact:-Jobs, income generation& productivity growth



Development of the Industry: Policies & Outcomes

- The national ICT policy 2006:-First
 - Mission: Improve livelihoods of Kenyans:-Availability of ICT services
- Kenya ICT board 2007
 - Promote development of ICT:-ITES
 - ❖ Finance Health education government
 - Outcome: programmes initiated
 - ❖ ICT education & Training
 - ❖ Tax reduction on software and hardware
 - ❖ Legal framework review
 - ❖ Adopt ITES from a customer support perspective
 - ❖ Government strengthen ICT as a driver for key industries



Development of the Industry:---

- ITES/BPO identified as one of the six economic sectors in vision 2030
 - Goal: create 7,500 jobs upto 2012
 - Additional GDP contribution of. Ksh 10 billion
 - 210 digital villages
 - Outcome:
 - ❖ Contribution to total GDP from < 0.01 % (2008) - 6 % (2012)
 - ❖ Creation of 7,000 by mid 2012
 - ❖ 37 digital villages



Development of the Industry:-----

- Efficient & well-regulated ICT infrastructure:-enabler of ITES
 - The roll out of the National optic fibre backbone infrastructure
 - Implementation of high-speed networks
 - Establishment of policy frameworks and regulations
 - Lowering of interconnection & communication costs
- Outcome:
 - Increased demand for ICT access & services
 - Promote creation of further products & services:-Eg. Mobile facilitated services
 - ❖ > 30 million mobile phone subscriber by Dec 2012



Development of the Industry:-----

- Outcome of the deeper penetration of mobile connectivity:.....
 - Funding & policy-making re-oriented towards software development & other products. E.g:- Mobile money platform-MPESA
- The most successful ITES in Kenya has been the MMT



Development of Mobile Money Transfer (MMT)

- Mobile phone most spread technology:
 - Half of the worlds population has at least one mobile subscription(ITU ICT, 2015)
 - In Kenya, mobile subscriptions were 37.7 million with a penetration rate of 87.7 % in 2015(ROK, 2016)
 - Mobile devices availability offered a distribution technology for mobile financial services for the unbanked:- MMT services
- MMT is an innovation to transfer money using ICT infrastructure of mobile network operators



Why Mobile Money Transfer?---

- Facilitates payments using a cell phone
 - MMT subscribers in 2015 26.8 million, representing a penetration rate of 60.6 % (ROK, 2016)
- Relevant for rural poor underserved by the banking system
- It has obviated most of the rural-urban movements especially during month ends
- It facilitates trade



Policy Perspectives on MMT

- National Payment Systems (NPS) Act: August 2014
- AIM:
 - Facilitate secure online payments
 - Simplify processing of payments
- HOW?
 - Customer funds held in trust with a strong rated regulated bank:-No lending or investment of funds
 - Mobile operators operate under distinct corporate business units
- OUTCOME:
 - New innovations in mobile phone financial services
 - Deepening of the national and regional payment system



The potential & Development Impact of MMT

- Mobile phone financial services growth

Measurement	2010	2011	2012	2013	2014	2015
Total number of agents	39,449	50,471	76,912	113,130	123,703	143,946
Mobile money transfer accounts ('000)	10,615	17,396	19,319	26,016	26,023	26,753
Total number of Transactions (millions)	311.0	433.0	575.0	733.0	911.0	1,223.4
Total value transacted (Ksh billion)	732.2	1,169	1,544	1,902	2,372	2,816
Average value per transaction (Ksh)	2,354.0	2,700.0	2,672.0	2,594.0	2,604.0	2,301.8
Total Deposits through agents (Ksh billion)	391	566	811	1,033	1,269	1,347



The potential & Development Impact of MMT-----

- Serves as a partial substitute of formal banking system
 - Reduces poverty
 - Accelerates access to formal financial services
 - Deepened banking business
- Affects saving
- Empowers business creation
- Job creation: Agents
- Facilitates trade
 - Reduction of corruption
 - Empower individuals:- supports entrepreneurial creativity



Comparative Contribution of MMT to Economic Devt.

- Comparative Variables for Contribution of MMT to Economic Development (Annual)

	Employees/Agents (Number)(% Δ)	Real average Wages/Commissions per employee(Kshs)(% Δ)
MMT	143,946 (16.4)	79,500 ^a
Agriculture, Forestry and Fishing	294,000 (-1.2)	158,466.1 (9.2)
Manufacturing	269,000 (2.9)	243,304.3
Wholesale and Retail Trade & Repairs	230,700 (5.4)	353,728
Information & Communication	103,800 (6.7)	498,375(2.7)

- Source: ROK(2016), Authors calculations



Comparative Contribution of MMT to Economic Devt.

- annual growth in average labour productivity for various sectors

	2011	2012	2013	2014	2015
MMT	0.09	-0.13	-0.13	0.12	0.15
Agriculture, Forestry and Fishing	0.03	0.01	0.04	0.06	0.05
Manufacturing	0.04	-0.01	0.02	0.003	0.01
Wholesale and Retail Trade & Repairs	0.03	0.03	0.01	0.04	0.01
Information & Communication	0.18	-0.04	0.05	0.07	0.01



Obstacles and Opportunities for Trade

- Spans two distinct industries
 - Regulations?
- Accessibility of alternative options
 - Existing alternatives/limited market size?
- End users factors
 - Needs & expectations of clients?
- Employment
 - Literacy level-exclusion?
- Money supply increase
 - Monetary policy?



Conclusion

- Technological innovation reputation
- Coordination of banking and telecom regulators
- Labour productivity variation



THANK YOU

END