

# Zimbabwe: Africa's first cashless society?

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Zimbabwe's GDP in 2013 was \$12.8-billion; of that, \$5.5-billion, or 43%, moved through Econet's mobile banking system. Within 12 months, says Strive Masiyiwa, the founder of Zimbabwean mobile operator Econet Wireless Zimbabwe, the country will become a totally cash-free society, Africa's first.



Econet's Strive Masiyiwa

After the collapse of Zimbabwe's economy in 2002 and before the adoption of the US dollar as its legal currency in 2009 - in 2014 it adopted the Chinese yuan - a trip to the market involved carrying a box load of cash. Hyperinflation led to the country printing bills with a face value of a trillion Zimbabwe dollars, the price of a loaf of bread.

"The opportunity is in the problem. The moment I see a problem, I immediately begin to think about the opportunities that can be created by trying to solve it," Masiyiwa is fond of saying. Zimbabweans called it "the coin problem": because coins are expensive to produce and ship, the country faced a shortage of coins, and making a purchase add up to \$1 became a national pastime - and pain.

Masiyiwa believes his company will make it possible for Zimbabwe to do away with paper money, and coins, within a year. "When we went live the lowest denomination circulating was \$1. If you wanted to buy a packet of sweets for your child, you [couldn't] get change." In a country where most of the population lives on less than \$2 a day, a lack of change from a packet of sweets is a hardship. "Econet Wireless is a mobile payment system that allows people to save as little as \$1, and handles transactions in smaller amounts."

With the coin problem, impulse purchases became compulsory: you got a box of matches, a pen or bubble gum if your purchase was less than a dollar. Larger retailers began handing out credit slips that began circulating as currency as well. As novel as these solutions were, none were satisfactory - until Econet Wireless adapted a payment system it had developed for NGOs working in Africa.

The company first developed mobile payments to help NGOs transfer money to refugees after the war in Burundi ended in 2005. "Donor agencies were trying to find ways to make cash disbursements to refugees," explains Masiyiwa. "So we built the payment system initially not as a business but as a way to help humanitarians get money to people in rural areas who were trying to re-establish their lives."

When Burundi's first democratically elected president, Melchior Ndadaye, was assassinated in 1994, the tiny landlocked country descended into civil war. For 10 years battle lines were drawn along ethnic lines - Tutsi versus Hutu. It resulted in 300,000 civilian deaths and a refugee crisis. A peace accord brokered in 2001 by Nelson Mandela ended the war, but tensions in the country meant refugees refused to return home.

## **Working in Africa**

Doing business in Africa is a challenge. For Econet the biggest challenge is not gaining market share, but a customer base that struggles to keep their phones charged. "We have developed solar-powered charging stations where people can go

into a kiosk and charge their phone for free."

His customers are poorer than the average European, but it would be a mistake to assume their behaviour and aspirations differ, says Masiyiwa. "They want to use Facebook. They want to use WhatsApp. We have to find ways for them to access those things with their very low income. That is how we make our money."

The idea of a cashless Africa has been taking hold over the last few years. The success of Vodafone's MPesa is testament to the need for the service on the continent. Mobile provider MTN is also aggressively moving into the space and the Nigerian government is rolling out a new national ID card that can be used as a debit card. Managed by Mastercard, Nigeria's National Identity Smart Card has faced opposition, however, because of the large amount of information it tracks and the government's ability to shut down access to funds.

The size of the continent and the cost of building infrastructure that is so lacking, are the major challenges. Less than 30% of Africa's population has a bank account and even fewer have credit cards; cash is king across the continent, with most economic activity conducted in the vast informal economy. In development terms, there is a lack of data to allow companies to forecast production and distribution schedules with any degree of accuracy, hampering development.

Econet, MPesa and MTN Money have managed to succeed in this environment by giving customers financial services products on their mobile platforms. Growth has accelerated since 2012: in at least nine African countries there are more mobile money account holders than there are bank clients.

## **Help for unbanked majority**

MTN has introduced automatic cash machines that allow customers to withdraw cash from their accounts without a card. MTN provides a one-time pin on their phone for each transaction. Other innovations being tested allow customers to receive money from abroad, obtain micro-loans and buy insurance. Cash-light economies are allowing the unbanked majority to enjoy the benefits of the financial markets, such as access to credit, for example. There is also very little confidence in traditional banks across the continent.

This market, Masiyiwa contends, has to be treated in the same way that companies market to customers with means, bearing in mind that services need to be designed that are practical, affordable and simple to use. "I've got a customer who has a dollar in his pocket and has got to decide to have some lunch, call his cousin or go to the doctor. We have to develop services with sensitivity to the fact that in Africa our customers don't have the same disposable income as in New Zealand, for example."

The son of an entrepreneurial mother who sent Masiyiwa to school in Scotland and university in Wales, he returned to newly independent Zimbabwe to work for the state's telecommunications company before starting Econet Wireless Zimbabwe in the 1990s. He was also, until it was shuttered by the Zimbabwean government in 2003, publisher of the independent Daily News.

Masiyiwa sits on advisory boards of the Rockefeller Foundation and the Council on Foreign Relations. He uses social media - he has 350,000 followers on Facebook - to encourage entrepreneurship among young Africans.

A recent Forbes estimate put Masiyiwa's personal fortune at \$600m. The foundation of his wealth - he is the wealthiest Zimbabwean but lives in Europe - is the founding of Econet Wireless in 1998. In starting up, he went to court six times to win a licence from Zimbabwe's national telecommunications company. The judge who eventually granted the licence was disparaging, saying that 70% of the population had never heard a telephone ring.

"Today, 75% of people [in Zimbabwe] have a cellphone. And I want 75% of the people in Africa to have a bank account... on a mobile phone."

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