Cellphones will replace cash in Africa

The use of cellphones as an alternative means of payment to cash is set to rise significantly in coming years. This will be a major boost particularly for banks that are keen to penetrate the unbanked market.

By Sure Kamhunga 11 Aug 2011

KPMG said in a recent report that this new form of payment would have wide implications and benefits for developing economies.

Its benefits would be transformational, particularly for developing economies, such as SA, which have larg sections of their population who are either under-banked or unbanked.

SA has more than 11-million people without access to financial services, and the big four are promoting cellphone banking solutions to penetrate this market.

"In every market, mobile payments stand to take the place of cash," said KPGM in a report based on a recent global online survey of 970 companies.

The most successful cellphone venture launched so far in Africa is the M-Pesa service by Safaricom in partnership with its UK-based parent Vodafone. It was launched in March 2007 and now has more than 9,5 million subscribers using the service to make person-to-person money transfers.

Locally, Nedbank has also launched a similar service with Vodacom , which has more than 170000 registered users.

KPMG said that the advantages of cellphone payments for consumers, telecom providers, technology vendors, financial services companies, retailers, and governments were not theoretical.

This was because all these parties were benefiting from cellphone payment offerings across many region or planting the seeds for future growth. "In developing economies that rely predominately on cash, replaci cash with electronic payments initiated by mobile phones and carried over mobile networks will have a transformative effect on economies as a whole - including governments," KPMG said.

The strategic legal adviser at First National Bank eWallet Services, Kim Dancey, agrees with the survey.

She said with an estimated 300- million cellphone subscribers in Africa, development agencies in the US and UK have already noted that cellphones hold the greatest promise for migrant workers to send money t their home countries.

"With an annual mobile phone market growth rate of 65% within the continent, which is twice the global average, the potential for cross-border services is immeasurable," she said.

KPMG said developing countries had two trigger points for adopting cellphone payments . "For those consumers who have access to financial services in the form of bank accounts, remittance facilities, and credit or debit cards - typically those living in urban environments - the trigger is convenience. Among this segment mobile phone ownership is practically a given," it said.

"For those outside the reach of financial services - the unbanked, typically rural or semi-urban residents - t trigger is accessibility, introducing them to financial service capabilities previously beyond their reach," KPMG said.

Source: Business Day