

Editorial

SELDOM HAS ANYTHING promoted by the development industry taken off so quickly. When *EDM* last devoted a theme issue to 'ICTs, microfinance and enterprise development', in December 2004, the key phrase was electronic banking. Today, what was then only a small, futuristic element of that subject, mobile phone banking or m-banking, is taking off in a big way. Around the world mobile phones, when loaded with air time, can be used to pay for taxis, trams, and downloading music; in the Philippines you can receive remittances from your relatives abroad via mobile, and in South Africa you can receive your pay cheque on your phone.

Four years ago the new developments in Africa appeared to be limited to that rather special country, South Africa, but now there is plenty afoot in Kenya, Uganda and elsewhere. Mentioned several times in this edition, M-Pesa has signed up one million customers in nine months – in a country, Kenya, where previously barely four million people had bank accounts. Indeed, the basis for such developments was being laid several years ago not by donors or telcos, but by workers who began purchasing air time in Nairobi to send home by text messaging – a do-it-yourself internal remittance service.

The remarkable take up of m-banking rides on the back of infrastructure that is already out there: mobile phones. Whereas four years ago one of the major challenges to the spread of electronic banking was the cost of installing ATMs or POS devices and of marketing payment cards out in the villages, mobile phones are the infrastructure that is already out there, marketed by the telecommunications companies. Although still at low levels compared to other parts of the world, African mobile phone ownership is growing fast: subscribers grew from 8 million to nearly 193 million between 1999 and 2006, and was expected to have reached 270 million by the end of 2007 (International Telecommunications Union, 2007).

But is it the poor who are taking up m-banking, and are the new customers opening an account for the first time? Or are they in fact middle-income customers swapping from a conventional account to m-banking because it is more convenient, and without any extension of the 'banking frontier' to the poor and the unbanked? In his article Simon Batchelor leads us around the various m-banking products appearing across the world and examines what evidence there is to suggest that previously 'unbanked' customers are likely to be reached. In fact little evidence exists: the scene is changing so fast and there is little routine data collection on type of customer, although an average transaction size of \$45 for M-Pesa accounts suggests these are quite low-income customers. However, Batchelor analyses the prod-

ucts for their potential to attract previously unbanked customers, and certainly there is plenty of potential.

Prochaska and Brix approach the seemingly dull but important question of regulation. Some m-banking providers are offering 'stored-value' accounts in which money can be deposited for indefinite periods before payments are made. Is customer's money safe in these accounts, or at least as safe as they would be in a bank account which is subject to prudential regulation? Regulation also needs to address the issue of compliance with anti-money-laundering rules, but without tying up innovation with too much red tape.

A rather different approach is adopted by Opportunity International Bank of Malawi, described by Opoku and Foy. Here 'mobile banking' means taking the branch to the people: ATMs and point-of-service devices have been built onto trucks and are driven to the most remote locations where customers access their savings accounts using smart cards. The growth in new customers has been impressive. These smart cards have also been used by DFID to disburse cash for food relief in one district, with the added benefit that some very poor customers have been introduced to banking services for the first time.

Will m-banking and smart cards be as revolutionary to financial systems for the poor in the 2000s as the group-guaranteed lending model was in the 1990s? Not without dealing with thorny issues such as regulation and interoperability, so that, for example, shopkeepers don't have to invest in more than one POS device for their customers' cards. Many of these critical issues are discussed by Nicole Pasricha in her conference review. But more fundamentally, even if m-banking does reach the poor, and individual accounts become affordable for providers to offer and for poor customers to own, what of the social capital that is built through group saving that will be absent from these individual accounts? Self-help groups have offered more than savings and loans, they have run community projects, taught health and hygiene, and organized around social issues such as alcoholism. Remote banking will not offer these social goods.

Here in the UK Tesco recently announced that it is joining other major supermarkets by no longer accepting cheques at the tills. No mention is made of mobile phones as an alternative to pay for groceries. In this field at any rate Africa is leapfrogging into the technological lead.

References

International Telecommunications Union (2007) 'USD 55 billion committed to connect Africa', http://www.itu.int/newsroom/press_releases/2007/34.html [accessed 1 February 2008]

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