Why didn't m-PESA diffuse all over the developing world?

1. **Why did mobile monetary operators work like m-PESA in (just)Kenya?**

Kenya has fewer than six bank branches per 100,000 people. Thus, In rural areas, withdrawing or depositing cash often necessitates a long round trip. m-PESA used this lack of easy-to-access banking to their advantage, initially by allowing users to exchange mobile credits, then by deploying tens of thousands of local agents to act as de facto branch outlets that process cash in and out of the mobile ecosystem. The banks in Kenya had obnoxiously high charges/fees. Thus the banks in Kenya created their own enemy. There has been a robust increase in mobile penetration and that, supplemented by the digital landscape, has led to mobile payment segment becoming a dominant as the network effect(If more people are in the network then it automatically increases the value for new entrant) was effective for m-PESA as everyone used it, even the shopkeepers started to use it to secure their savings after a week.

There are fintech startups(known as **Neo Banks**) using mobile/digital innovations targeting financial inclusion, which are starting to win the hearts and wallets of the unbanked population across the world but there are few risks corresponding to the disadvantages as follows-

In India, there is a governance factor-
India’s last experiment with banking licenses in 2015—when RBI allowed payments banks to be set up—has flopped. They were meant to take banking to the masses, but because of restrictions on deposits and a ban on lending, no payments bank has achieved significant scale (though about a dozen entities got licenses). Also, trading in cryptocurrency is illegal in India. With time, e-money like m-PESA will get licensed too. Despite a rapid expansion in Jan-Dhan bank accounts (half of which are rarely used), India currently has the world’s second-largest unbanked population, an estimated 190 million people, according to the World Bank’s Global Findex database.

Emotional factor-

For a customer to trust a digital bank that has no branches is going to take time. The belief in cash and trust in the tangible form of money(Consumer inertia) and the barrier to switch in financial services are both very high.

Social factors-

In Kenya, the crime rates are very high.

Indians are so creative(jugaad) that in India, there are special “cash transporters” who are traditionally used to transfer cash across the country with almost 0% stolen record.

Technology factors-

Mobile digital banks are promising transparency, no minimum balance, etc., but it is not fundamentally a new business, except reducing the energy required to go to banks. With banks, one can talk and get assistance or help from bank professionals, in the case of mobile banks, Indians may not be that confident.

The cost of making mobile banks is less(as estate price for physical bank absent) but it is based on the fact that people will buy mobiles. Each person can’t be forced to buy a mobile for opening a bank account. Also, the finance to make that technology in various vernacular languages in India may be high.

With the BharatNet(High-speed optical fibre) connecting all the panchayats of the country, the kiosk at the sarpanch’s office is being used as ATM which has a note counting mechanics and there you can get cash and also deposit cheques. Thus, this offers a tough competitive advantage to the mobile banking system. Also, this is a highly competitive field as there are many savvy startups like NiYo, epiFi which are app-based neo banks who are improving the customer experience of digital payments using technology, so m-PESA will not work as for that to work there needs to be unconnected customers, who are not at all supported by Government, challenging physical security like Kenya.