Case Two MobiKash: Bringing Financial Services to Rural Africa

Full participation in the twenty-first century economy requires access to financial services. However, this access is a luxury for many citizens of African nations. Due to the long distances between bank branches and the lack of rapid, cost-effective transportation to the urban areas in which banks are typically found, fewer than 10 percent of Africans participate in formal banking. Those who do often face time-consuming inefficiencies.

A new company, MobiKash Afrika, hopes to change this by empowering people in Africa with a secure and independent mobile commerce system that is easy to use. In planning its system, MobiKash established several standards:

* The service must be independent of specific mobile telephone operators.
* The service must be independent of specific banks or financial institutions.
* The service must work with all bill issuers.
* The service must not require the use of a smartphone.

MobiKash offers its members five services, all accessible from a mobile phone: loading money into their MobiKash account from any bank account, paying bills, sending money to any other mobile phone user or bank account, managing a bank or MobiKash account, and obtaining or depositing cash. Only the last pair of services requires members to visit a physical location where cash can be handled, but that site doesn’t have to be a bank. MobiKash agents in market towns, convenient to rural areas, can handle transactions that require cash. Approximately 3,000 MobiKash agents operate in Kenya. Account holders don’t even need to visit a bank to set up their MobiKash accounts: in fact, anyone with a mobile phone to whom a MobiKash user sends money becomes a MobiKash user automatically.

MobiKash charges for some services. Withdrawing cash costs 25 to 75 Kenya shillings (Kshs) (about U.S. $0.30 to $0.90), for withdrawals up to Kshs 10,000 (about U.S. $20), with higher fees for larger withdrawals. Paying bills from a mobile phone incurs a fixed fee of Kshs 25, no matter how large the bill is. The largest fee that MobiKash charges is Kshs 350 (about U.S. $4), for cash withdrawals in excess of Kshs 75,000 (about U.S. $900). This fee schedule is consistent with the financial resources of MobiKash users and the value those users place on each financial service.

The MobiKash system is based on Sybase 365 mCommerce software. Several factors contributed to this choice, including the local presence of Sybase in Africa with experience in similar applications, its understanding of how to integrate with African financial institutions, and the system’s ability to work with any mobile telephone. It operates from an existing Sybase data center in Frankfurt, Germany.

MobiKash services expects to expand in east, west, and southern Africa, starting with Zimbabwe. It is working with Masary, an Egyptian e-wallet firm, to cover northern Africa as well. Work is also under way to support intercontinental fund transfers to and from North America, Europe, and the Middle East. As for the future, CEO Duncan Otieno said, “We see MobiKash in the next five years playing with the international or global mobile commerce space in at least 40 countries. The plans for building this network are already in progress.”

# Critical Thinking Questions

1. Firms can base m-commerce systems on commercially available software, as MobiKash did here. Alternatively, they can write their own software. List three pros and cons of each approach. Do you think MobiKash made the right choice?

Buying software

Pros:

* It can be obtained and implemented relatively fast.
* It can be tested before buying it.
* Documentation, tutorials, and success stories are likely to be available.

Cons:

* It may have unnecessary features that you still need to pay for.
* It cannot be modified/altered.
* Licenses renewals, mandatory maintenance, and necessary support are not economical.

Building a software

Pros:

* It is built to meet 100% of the organization’s needs.
* Due to its uniqueness, the organization may have a competitive advantage.
* Features can be added and/or fixed by the company itself.

Cons:

* Its cost can be higher in comparison to purchasing off-the-shelf software.
* It is time-consuming; from months to even years.
* Because of its nature, a more competent team should be available to permanently assist, fix, recode, all of what the built software entails.

In my opinion, MobiKash did make the right choice in basing its system on commercially available software. Sybase 365 was already established in Africa, they know how business works, and are responsible for previous successful stories on similar applications. Furthermore, and most importantly, Sybase 365 comprehends how to adapt the app with African financial institutions and make it work with any mobile telephone. This would allow MobiKash to implement its app as soon and as effective as possible.

1. What challenges does a company like MobiKash face when they try to penetrate different national markets in developing countries? Why might Kenya be a good choice for the launch of m-commerce operations in Africa?

First, Mobikash came to exist to facilitate financial services to African citizens through a mobile phone. Therefore, if a person does not have a phone, he/she will not have access to Mobikash. Also, in order to implement a service of this nature to an entire continent, and expect to support “intercontinental fund transfers to and from North America, Europe, and the Middle East”, MobiKash would need to take into consideration 2 essential aspects:

* 1. Language. The African continent has a tremendous diversity regarding language. The estimated number of natively spoken dialects lay between 1250 and 2100. With this in mind, if MobiKash would really want to have a successful presence in all Africa, they would need to adapt its service to all these languages, or at least to those that will be enough to cover a vast majority of the population. Also, a translation option should be available to allow users from different countries to understand their transactions.
  2. Currency. Like in language, Africa has a variety of different currencies; around 45 in total. This would require MobiKash to have a system capable of converting money transactions from one currency to another one in a matter of seconds to achieve a smooth customer experience.

In my opinion, Kenya is not the wealthiest nor the poorest country in Africa. Not all people are fully exposed to the technology of this nature. Therefore, it is the ideal candidate to pioneer MobiKash's financial services. Its results will show a possible average of how the service will look if implemented in the entire African continent. It will help to conclude if training will be necessary for people to effectively use the app. Kenya’s population will serve as an overview of how Africans will react upon using their mobile phone for MobiKash. It will give a sense of how comfortable people will be by using this new service. This will allow the MobiKash team to improve their app where it needs it before going 100% in the African country.

1. Contrast your m-commerce needs with those of a typical rural African. Would you find the MobiKash offering attractive in full, in part (which parts?), or not at all?

For our usual m-commerce, the internet is a topic that we do not even discuss anymore because now, it is reasonably implied that it is essential. But for a typical rural African, internet will not be as accessible. They will probably have mobile data on their phones, but its amount may be limited to access specific websites every day without running out of it. Also, based on the case description from above, “The service must not require the use of a smartphone”. This would be beneficial and inclusive in rural Africa since a normal mobile phone would be more affordable and realistic than a smartphone. But for us, a smartphone is the most common device any person could have. Consequently, our standards on mobile apps and m-commerce in general, are higher than for a typical rural African due to our constant exposure to this kind of technology.

Regarding MobiKash specifically, I personally believe it is a great idea. In fact, most of the banking system, as of 2020, have their own digital financial services. MobiKash’s vision of providing an affordable digital bank service through a simple mobile phone is a real-life solution for Africans. There would not be a need for going to the city to pay a bill, transfer money, or to get cash. This is just another example of how technology is a problem solver.