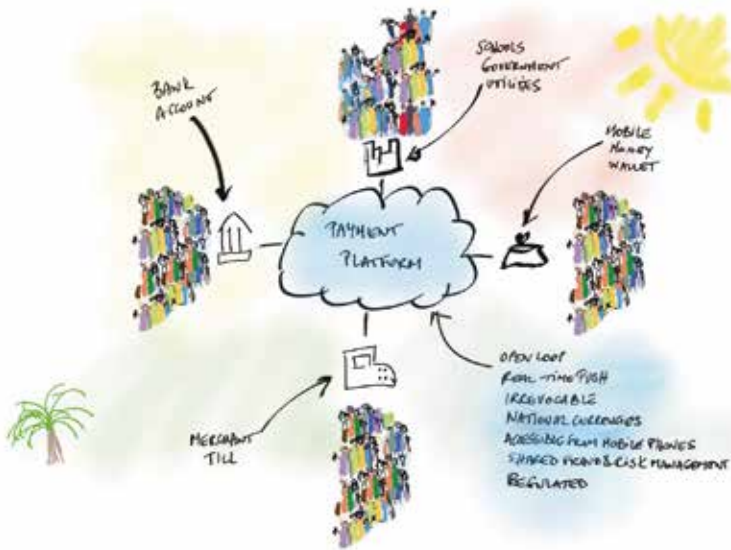


Illustration by Kosta Peric,
Deputy Director, Financial Services
for the Poor at the Gates Foundation



Banking On The Unbanked

— Mobile operators, the Bill & Melinda Gates Foundation and startups have teamed up to extend interoperability of mobile money services in a way that specifically meets the needs of Africa’s poor. Could the same model be used to transform the Internet?

● **M-Pesa is a mobile phone-based money transfer, financing and microfinancing service.** Launched in 2007 by Vodafone for Safaricom and Vodacom, the largest mobile network operators in Kenya and Tanzania, it famously pioneered mobile money services. Trouble is today there are more than 200 such services in Africa and they don’t interoperate. That’s changing thanks to a joint venture called Mowali formed late last year between two of Africa’s largest mobile operators and mobile money providers, Orange Group and MTN Group, which together account for over 100 million mobile money accounts and mobile money operations in 22 of sub-Saharan Africa’s 46 markets.

Mowali plans to operate as an industry utility, open to any mobile money provider in Africa, including banks, money transfer operators and other financial service providers, to support the existing 338 million mobile

money accounts in Africa. Mowali was built using Mojaloop (building off the Swahili word “moja,” which means “one”) created by the Bill & Melinda Gates Foundation in partnership with fintechs, including Ripple, Dwolla, ModusBox, Crosslake Technologies and Software Group. Mojaloop uses technology such as the Interledger Protocol, a solution for settling funds among multiple providers across their individual systems.

It claims to be the first model that can eventually help extend interoperability from mobile money providers to any bank, merchant or government institution that customers do business with in a way that specifically meets the needs of the poor.

A New Wave of Innovation

“This is proof that there is now in Africa a realization that having real time payments is possible and that it enables financial inclusion and helps operators adopt a new business model to earn revenue,” says Kosta Peric, deputy director, Financial Services for the Poor, at the Gates Foundation. He says he sees the initiative as a signal that a new wave of innovation, which can help alleviate poverty, is coming.

The GSMA, the mobile industry trade organization, said it supports the Mowali initiative. “Mobile money services have become an essential, life-changing tool across Africa, providing access to safe and secure financial services but also to energy, health, education and employment opportunities,” Mats Granryd, director general, GSMA, said in a statement. The creation of Mowali will help to further transform mobile financial services throughout the African region, he said. Interoperability of digital payments has been the toughest hurdle for the financial services industry to overcome, says Peric. Mowali’s new offering means that money can eventually be sent and received by anyone, exactly like you can call anyone from any telephone. This will allow people to rely less on cash and receive their salary on their mobile wallet, send money to family, pay bills and make purchases with merchants. “It is a proven poverty alleviation measure,” he says.

And, he says, it is beneficial to operators, who use different methods to charge for the service: some demand a small percentage of transactions, others allow money to be sent and received for free, but ask for a percentage when a user cashes out. The fees are usually a fraction of a percent or one percent at most, far cheaper than the rates charged by credit card companies or the 12% to 15% charged by traditional money transfer services such as Western Union. “But if you have hundreds of millions of these transactions, you can build profitable services,” says Peric. “Operators know how to serve poor customers. The more volume there is the better the returns are.”

Mojaloop and Mowali are likely to have an impact beyond Africa. “Africa is acting like a cradle for the next generation of services, we will see innovation leapfrogging,” says Peric. “If you look further into the future African mobile money services could serve as a model for micro-payments. The Internet today is advertising-powered because there is no way to make micropayments. Now imagine a payment platform that can accept massive micro payments and allow you to pay for news articles or many other things there is no way to pay for today. There is nowhere except in Africa where you can do that efficiently.” ●

J.L.S.