

# Mobile money transfer critical thinking

[Business](#), [Company](#)



## **MOBILE MONEY TRANSFER**

### Original issue

Mobile Money Transfer is popular way of sending money in East Africa although its origin was in Kenya. The service enables people who use their mobiles to be able to send and receive money on their mobile phones. The customer is able to send money, receive money, buy credit, withdraw money and deposit money in their commercial bank accounts, pay their utility bills and even check their balance in their mobile phone as well as in their bank accounts. The program that enables this service to be sold was invented way back in 1998 but due to logistical problems, implementation began in 2003. Even at implementation, the customers could only send and receive money, buy credit and check balance. They could not make use of all the benefits of the products (Morawczynski, 2008).

The main logistical problem of implementation was how customers would deposit and withdraw money from and to their mobile accounts. At the time, the best option was banks as the dominating financial institution in the region. Main banks in the region were not hesitant to invest in the new idea because it was not clear how the business could be sustained. Moreover, most of the banks are only located in main towns and therefore customers located in very remote and undeveloped areas could not be reached yet they were the main target of the product. Further more, in a country where many people are either illiterate or semi illiterate, a lot of education needed to be carried out so that they develop confidence in the product. The company which was to roll out the program was very certain about the sustainability of the product but did not have enough resources to start selling the product on

their on. It is for this reason that the product could only be rolled out five years after invention.

### **Initial solution**

Despite the reluctance by the banks to act as agents of mobile money transfer, a few banks like equatorial bank accepted act as an agent for Safaricom but only in towns where many people had mobile phones and there were many small scale traders who wanted to transfer small amounts of money as they paid for supplies and received from customers. The main challenge with this mode of doing business was that banks charged very expensively for their transfer services. This discouraged most of the target consumers (Omwansa, 2009).

### **Critical evaluation**

Safaricom had to find alternative way of doing business and looking among the available options like supermarkets, hotels or sell the product to one of the banks. After a critical evaluation of the available options, none of them seemed suited to solve problems identified.

### **Evaluation of argument**

After intensive research, Safaricom Company decided to engage small scale businessmen to act as middlemen and sell the product to customers at a commission. A few businessmen were approached and after showing their willingness to be part of the project, they were given licenses to open retail shops where customers could deposit and withdraw money. The agents were also trained on how to use other features of the product so that they could provide the customer service and customer education at the grassroots.

## **Refined solution**

The refined implementation plan was to engage businessmen of every district educate them about the product and encourage them to be agents of the company in their local areas. This strategy of engaging business people was very nice because the main company, Safaricom could monitor the business effectively and could regulate the amount of fees charged on specific transaction. The method also worked because through direct engagement with local businessmen, the product could penetrate even the most remote areas of the country where level of infrastructural development was very low. In addition, the cost of entering the business was very low and the agent only required to have a mobile with a Safaricom phone number and a float of about \$700. This made many people from all places of the country to start applying for the agent license (Morawczynski, 2008).

## **Final solution**

Mobile money transfer has even helped people leaving and working in cities abroad and locally to send money to relatives at home and thus saving them from problems of lack of food or even farm inputs. Generally, mobile money transfer has become a revolution in the region and currently all financial institutions, supermarkets and all business owners want to associate with MMT because it has become the mode of doing business in the region. Mobile money transfer is recommended for being cheap, secure and available. The future of mobile money transfer is bright; it has created employment for over 80, 000 people directly and indirectly and pays billions of shillings to the government in form of taxes.

## **References**

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Morawczynski, O. (2008, December, 8). Surviving in the 'Dual System': How M-PESA is Fostering Urban-to-Rural Remittances in a Kenyan Slum. The Guardian, 56, 12-17.