

A Comparison of the Mobile Financial Services Sector in Kenya, Tanzania and Uganda

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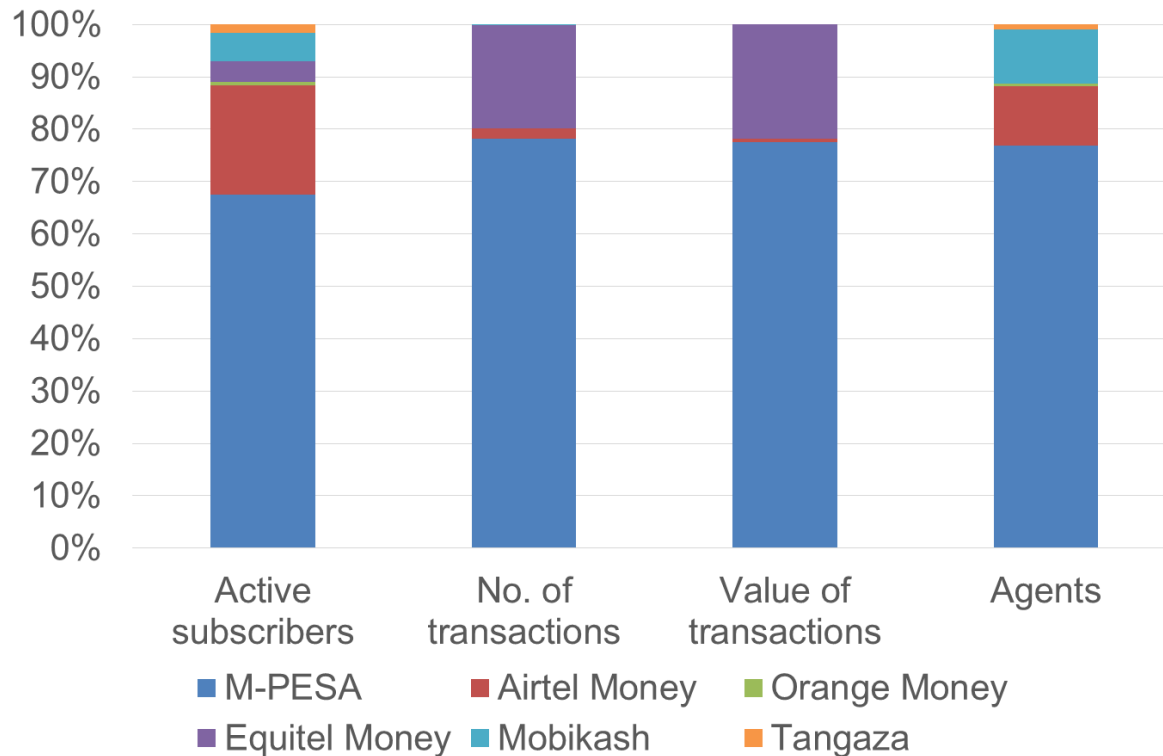
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Anthea Paelo

Background of the study

- Mobile money has been a fast growing phenomenon in developing countries around the world but particularly in East Africa
- Mobile money is particularly important in sub-Saharan Africa because the region has some of the lowest rates of financial inclusion globally (34%).
- Financial inclusion is critical for achieving poverty reduction and more inclusive economic growth (Demirgüç-Kunt et al., 2015)
- However, the level of evolution and uptake has varied by country.
- Using a case study approach, this study provides comparisons of the mobile money markets in each of the three countries.

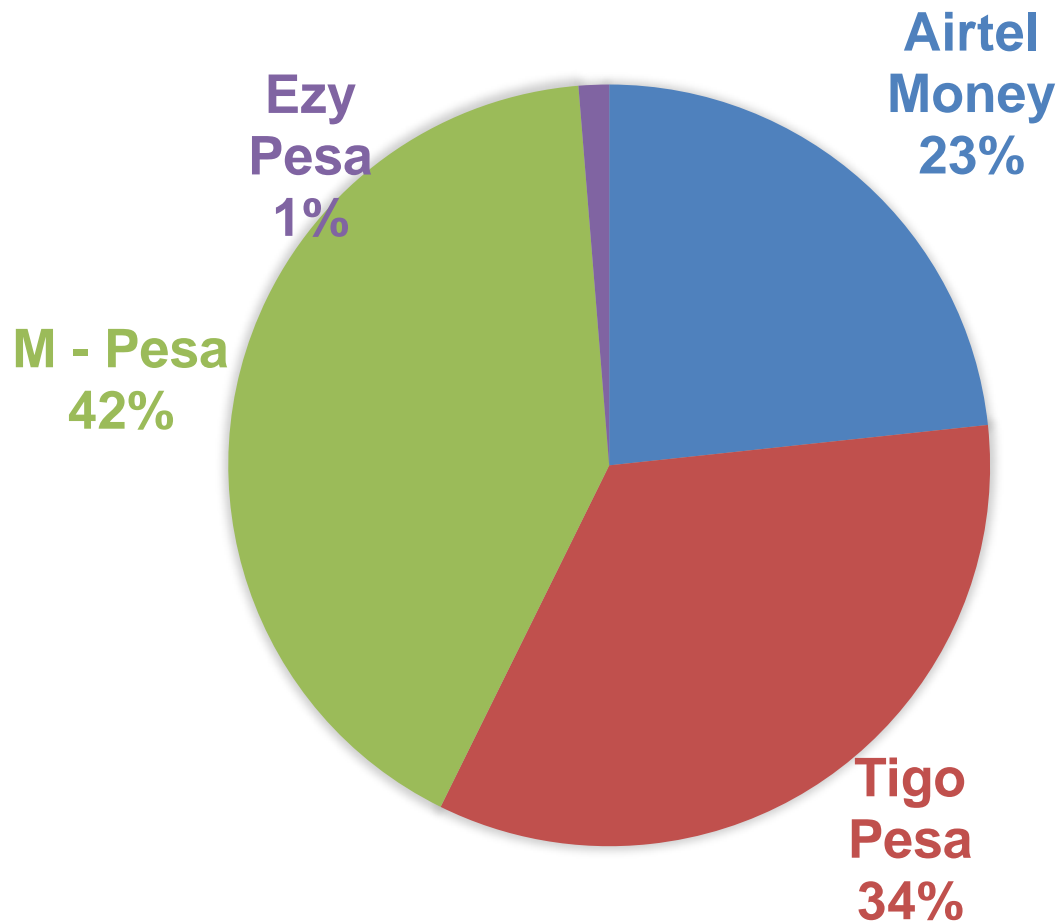
Kenya: Profile



- Introduced in 2007
- By 2010, there were about 16 million mobile money subscribers. Grew 142% to about 39 million in 2016.
- The growth in number and value of transactions is even more startling at 258% and 285% respectively.
- Services available include P2P, merchant payments, bill and utility payments, savings, loans, insurance and remittances.

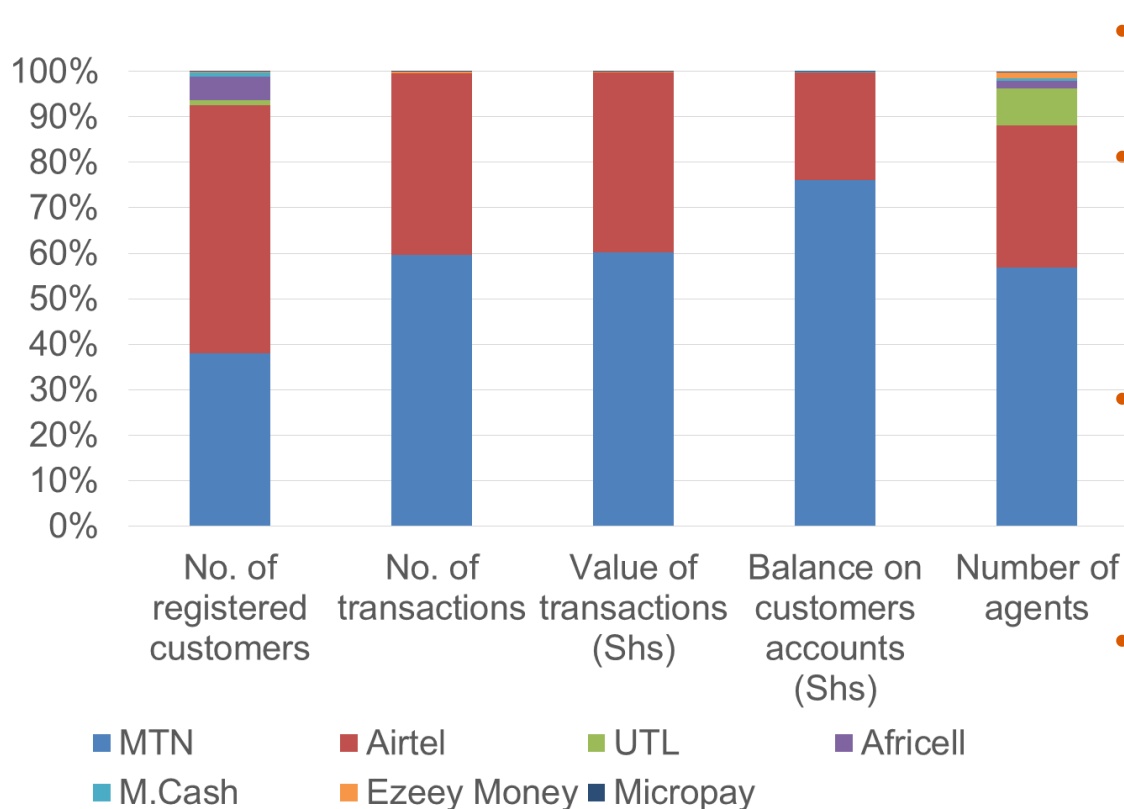
- There are about six main mobile money providers in Kenya: M-PESA, Airtel Money, Orange/Telkom Money, Equitel Money, Mobikash and Tangaza.

Tanzania: Profile



- Launched in 2008.
 - Between 2011 and 2016, active mobile money subscribers grew with CAGR of about 23% from 4mn to 28 mn .
 - No., value of transactions & balance on customer accounts have grown at a CAGR of over 50%.
 - Services available include: P2P, merchant payments, bill and utility payments, savings, loans, insurance and remittances.
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- 4 main mobile money providers in the market: Vodacom M-Pesa, Tigo Pesa, Airtel Money and Ezy Pesa (Zantel Z-Pesa).
 - NMB also provides a service called 'Pesa Fasta' .
 - There is also a new entrant Halo Pesa

Uganda: Profile



- Introduced in Uganda by MTN in 2009.
- Between 2009 and 2016, registered subscribers grew from about 600,000 to close to over 20 million
- The number and value of transactions between 2011 and 2016 grew with CAGRs of over 50%.
- Services available include: P2P, merchant payments, bill and utility payments, savings, loans, remittance

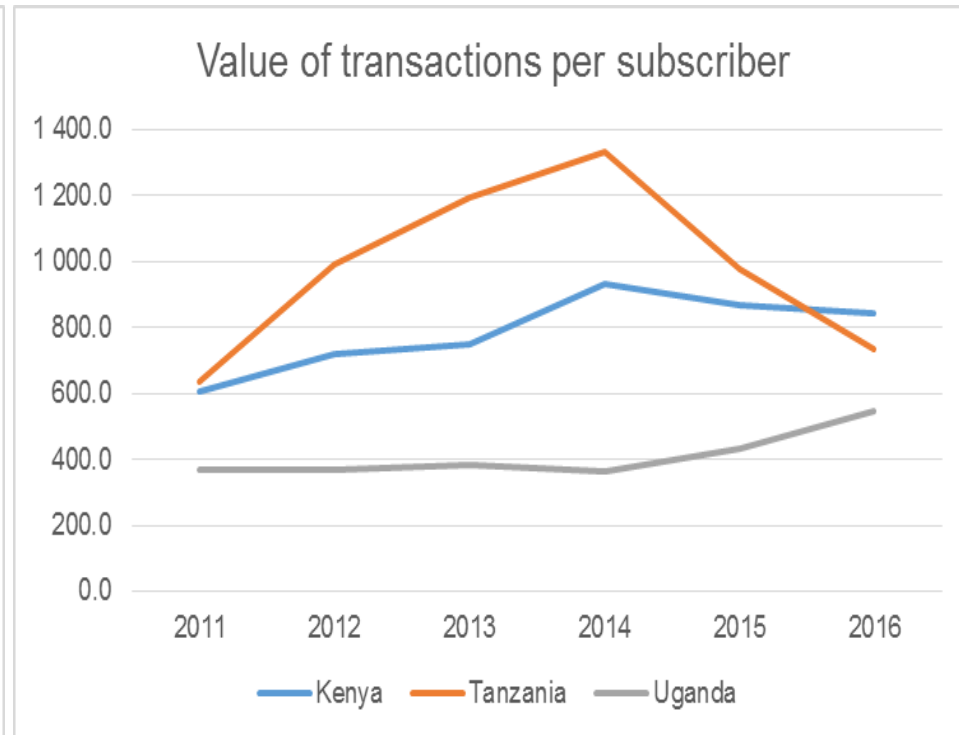
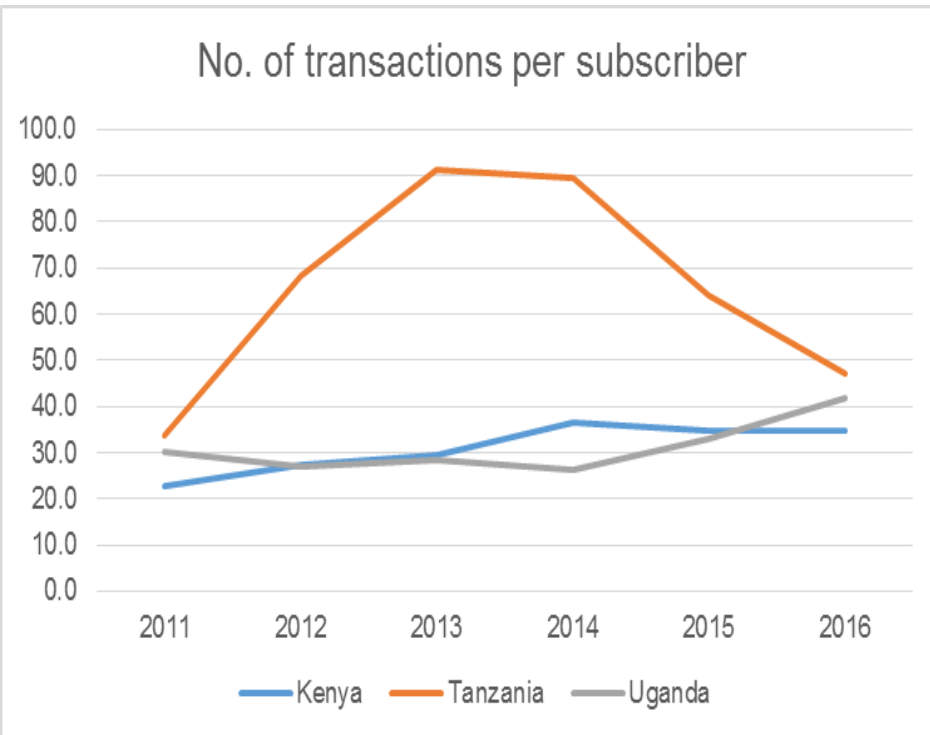
- There are four main mobile money providers: MTN Uganda, Airtel, UTL and Africell. Other providers include M.Cash, EzeeMoney and Micropay.

Regulatory framework

	Kenya	Tanzania	Uganda
National Payments System	✓	✓	x
Competition Law	✓	✓	x
Interoperability	x	✓	x
Agent exclusivity	x	x	x
KYC requirements	✓	✓	✓
Guidelines	✓	✓	✓

- Kenya: Looked into USSD pricing and transparency, resulted in significant reduction in prices
- Uganda: MTN Uganda was found guilty of anti-competitive conduct in a High Court
- Tanzania: No competition enforcement case has been launched yet

Trends: No. & value of transaction per subscriber

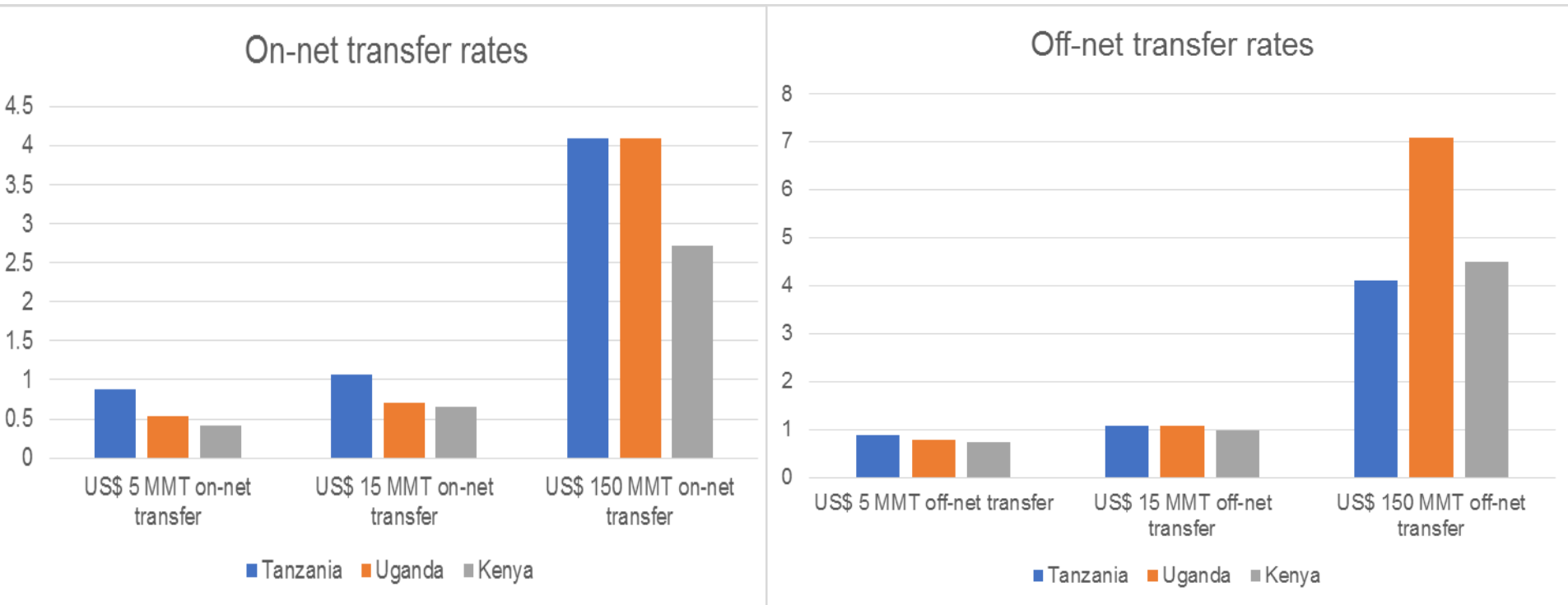


- The dips in Tanzania are likely due to the significant growth of number of subscribers but also the introduction of taxation on all MM transactions

Comparison of MMT prices

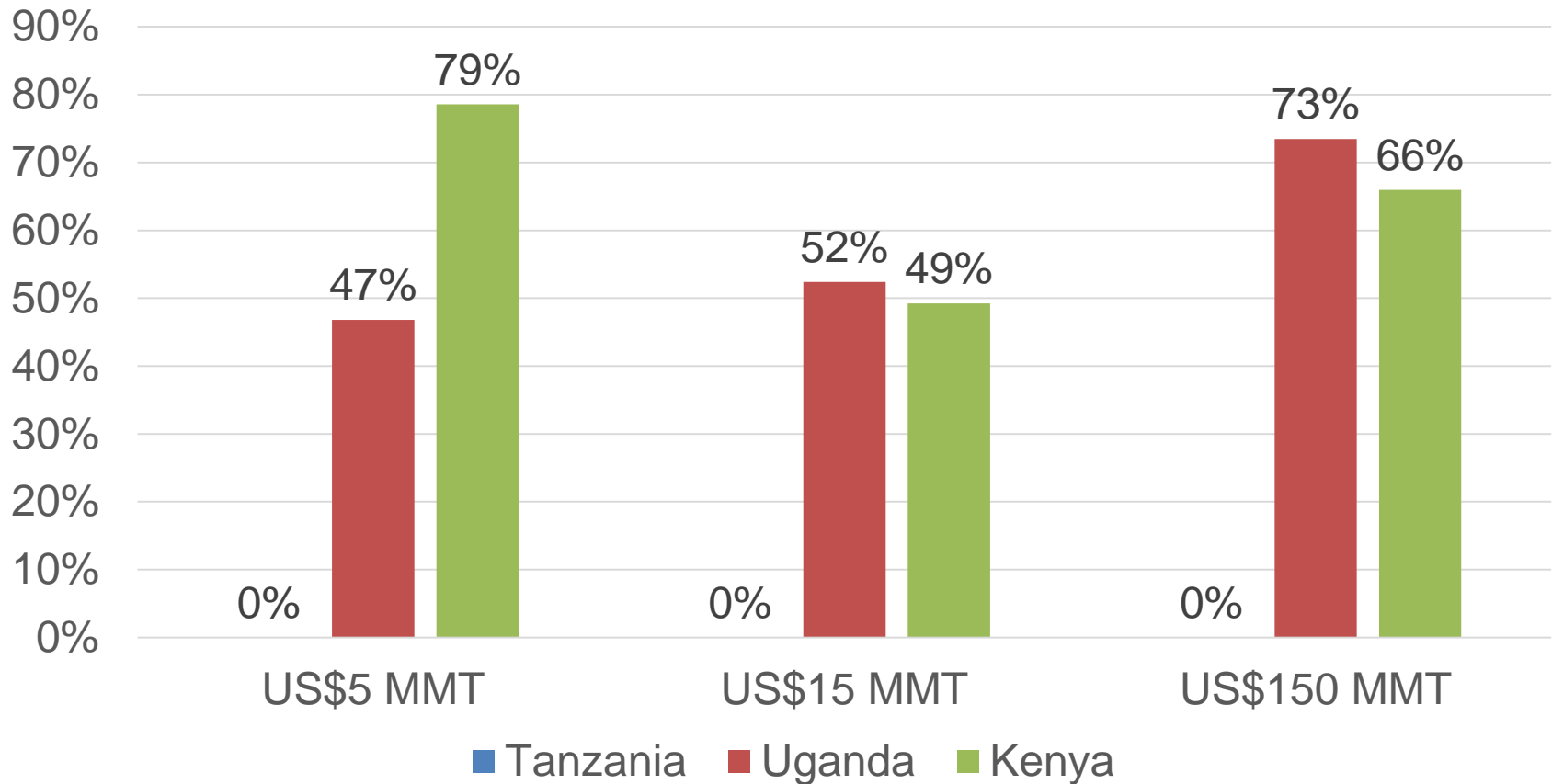
	Kenya	Tanzania	Uganda
US\$5 MMT			
Transfer	0.15	0.14	0.28
Cash-out	0.27	0.73	0.25
Total	0.41	0.87	0.53
US\$15 MMT			
Transfer	0.39	0.16	0.28
Cash-out	0.27	0.91	0.42
Total	0.66	1.07	0.70
US\$150 MMT			
Transfer	0.98	0.68	0.56
Cash-out	1.73	3.42	3.52
Total	2.71	4.10	4.09
For \$5 MMT off-net transfer	0.74	0.87	0.78
For \$15 MMT off-net transfer	0.98	1.07	1.07
For \$150 MMT off-net transfer	4.50	4.10	7.09
Exchange rate used (to US\$)	101.75	2195.27	3549.50

Comparison of MMT prices



- Tanzania has the highest on-net and offnet prices for the US\$5 and US\$15 amounts
- Uganda's off-net rates for the US\$150 amount are substantially high

Percentage difference between Off-net & On-net MMT rates



Key points

- Uganda has been lagging behind in terms of number of subscribers, transactions and value of transactions. This is likely due to the lag in the evolution of regulation in the country that has resulted in the slow introduction of new services
- On average, total transfer charges are lowest in Kenya. Transfer charges. Tanzania has the highest cash-out rates, largely to incentivise its agents.
- Tanzania is proving that introduction of interoperability is possible and still profitable for companies

THANK YOU

Anthea Paelo

Centre for Competition, Regulation and
Economic Development (CCRED)

antheap@uj.ac.za

