

Achieving Financial Inclusion in Ghana through Mobile Money

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Abstract

Financial inclusion refers to the act of ensuring that all the citizens in a country are connected to a well – functioning financial or payment system, especially those citizens who live in rural areas and are mostly under privileged. This includes the provision of traditional banking products and services, credit facilities that are affordable and specially designed for low income earning individual, small and medium scale enterprises and other relevant financial products and services.

The aim of this study is to assess Ghana's ability to achieve financial inclusion through mobile money. Using MTN mobile money as case study, the researcher reviewed literature of other authors and researchers collected from secondary sources such as newspapers, research papers, online articles, books, journals, reports, dissertations etc.

Findings from the literature review showed that the introduction of mobile money in the country has contributed immensely and in various ways to achieving financial inclusion in the country.

Keywords: *Payment systems, Financial, products, financial inclusion, mobile money, country, services, mobile phone, transfers, remittance.*

Mobile money

Mobile money can be described as financial transactions that are conducted using a mobile phone, where money is kept in the form of virtual money in a SIM card oriented mobile account. Mobile money transactions are compatible with the most basic phones and do not require internet access. Mobile money has the potential to provide access to formal financial services to communities which do not have access to traditional banking services (USAID, 2013). Mobile Klutse (2015) defined mobile money as a fast, simple, convenient, secure and affordable way of transferring money using a mobile phone. Mobile Money is available for anyone, no bank account is required. However you will need a bank account to be able to link your Bank account to your Mobile Money wallet.

Lack of formal financial services limits access to credit, savings, remittances, insurance, and other instruments that play an important role in providing poor and vulnerable populations with financial protection from poverty, lack and health care costs. In Sub-Saharan Africa, 12% of the populations who do not own a formal bank account patronize mobile service and in at least 28 countries around across the world, there are more mobile money agent outlets than formal bank branches (USAID, 2013).

Mobile financial services form part of the most promising technological applications which fast track a country's development. Mobile money seems to be becoming that mobile application which transforms entire economies as it is used across several disciplines of business and the economy at large. At present, about 110 money mobile systems have been created around the world, with more than 40 million users (Donovan, 2012).

The commonest and most successful mobile money system in the world is known as M-PESA. It started in Kenya. As at, 2011, M-PESA operated in about six countries and had to its record, about 20 million users who were transferring up to \$500 million in a month (Donovan, 2012).

Since its inception in 2007 by Vodafone's Safaricom mobile operator, M-PESA has had a strong impact on the economies of many East African counties and countries outside East Africa. Launched as a simple method of sending small payments between users, it has evolved into an internationally recognized

mobile money transfer service having over 30 million users in 10 countries and providing a range of services including international transfers, loans, and health insurance. The M-PESA mobile money service processed about 6 billion transactions in 2016 at a frequency rate of about 529 transactions per second (Monks, 2017).

Mobile money in Ghana

Although mobile phones are integral in the use of mobile money, technology alone does not form the basis of mobile money as it requires a cash in and cash-out infrastructure, usually accomplished through a network of “cash merchants” (or “agents”), who receive commission for helping mobile money subscribers with perform their transactions (Donovan, 2012).

Mobile network operators have been a driver of the growth of mobile money in many countries including M-PESA and Ghana is not an exception. In Ghana currently, mobile money is operated by three network operators (RAW Africa, 2016).

MTN mobile money

MTN offers mobile money services in partnership with 10 banks in Ghana. The Mobile Money service is available to all MTN customers. Non-MTN users can also use the service to receive money transfers from registered Mobile Money customers (Klutse, 2015).

NCA (2017) showed that as March, 2017, MTN had over ten million voice subscribers. As at the same year, MTN 8.5 million out of MTN's over 10 Million voice subscribers were registered on the MTN mobile money platform with alongside 57,000 active agents and 16 partner banks. In 2016, MTN mobile money subscribers performed 56 billion transactions worth 23 billion Ghana Cedis (Ofori-Boateng, 2016).

MTN mobile money is useful for sending and receiving money, topping -up MTN airtime, paying utility bills, school fees, employee salaries and more, buying and paying for insurance, pay paying for airline tickets, for online shopping and general payment for other goods and services. To register to use MTN mobile money, a one needs a mobile phone. To register to use mobile money, one must acquire an MTN SIM card and a valid photo ID card (MTN Ghana, 2018).

Financial inclusion

Financial inclusion refers to the provision of affordable financial services to almost every sections of society including underprivileged and low income groups. Financial inclusion is very important in a nation's economy and it is often backed by political influence and bureaucracy. Financial inclusion has the ability to financially equip the underprivileged in society for economic growth and prosperity. The concept of financial inclusion has a special significance for growing economy (Shettar, 2016).

Globally about 2 billion adults lack access to formal financial services. And the case is not different in Ghana and most part of Sub-Saharan Africa. However, with the introduction of mobile money technology in the past decade, most countries across the continent have become aware of the need for financial inclusion for their citizens and the significant mobile money. Mobile money has is seen as the driver for financial inclusion in many developing countries. In Kenya and Tanzania; more adults have mobile money accounts than bank accounts. Though Ghana has also joined, t it is estimated the country is doingso at a slower pace compared to that of the success stories of Kenya and Tanzania. Currently, Kenya and Tanzania are the market leaders in mobile money accounts for countries in Sub-Saharan Africa. The prospects looks brighter as Ghana's mobile money subscribers doubled between 2014 and 2015 with transaction volumes tripling from 2013-2015 (The World Bank, 2015).

Driving financial inclusion through mobile money

In the past decade, mobile money has chalked huge successes with subscribers registering with 277 services in 92 countries. Throughout the world, mobile money is available in about two-thirds of low to middle-income countries and is operated in about 85% international markets where less than 20% of the

population has access to a formal financial institution (Pasti, 2017). By enabling subscribers to keep and transact money stored in virtual form, millions of underprivileged people tend to feel safer, are more productive with their time and their money, and are able to take advantage of increased socio-economic opportunities. A Recent research shows that, in Kenya, 2% of households were able to escape extreme poverty (Pasti, 2017)

Financial inclusion in ghana

Poverty is more than just a lack of money. It involves a lack of access to the instruments and means through which the poor could improve their lives. Exclusion from the formal financial system has increasingly been identified as one of the barriers to a world without poverty. In many developing countries, more than half of households lack an account with a financial institution, while small firms frequently cite difficulty in accessing and affording financing as a key constraint on their growth. This exclusion does not necessarily mean that the poor lack active financial lives: in fact, the fragility of their situation has led to the development of sophisticated informal financial instruments. However, the use of only informal instruments means that the poor are limited in their ability to save, repay debts, and manage risk responsibly (Demirgüç-Kunt, Beck, and Honahan 2008).

Etim (2014) showed that the use of mobile phones have become very common in the Sub-Saharan West – African Region to the extent that it can result in significant changes, sustainable growth as well as economic opportunities for the large unbanked population with the introduction of mobile money. Ghana is no Exception.

Laary (2016) showed that Ghana's mobile subscriber base surged from 34,400,153 in November 2015 to 35,008,387, representing a mobile voice penetration rate of 127.63 per cent.

The advent of the mobile money in Ghana is essential in achieving financial inclusion for as many Ghanaians as possible, especially people living in rural areas (Swanzy-Essuman, n.d.).

A new World Bank study on financial inclusion has found out that the number of Ghanaian adults with active mobile money accounts has doubled in the past year, and now stands at 17 percent of the adult population. The study conducted by the World Bank's Consultative Group to Assist the Poor (CGAP) said Ghana's progress on mobile money is commendable, especially as the service was introduced barely half a decade ago. CGAP expects Ghana's positive progress to continue, especially since new Mobile Money regulations were passed in July 2015 which has awakened policymakers of the critical role that Mobile Money plays in driving financial inclusion (The Worldbank, 2015).

34% of adults now have an account, an increase from 24% in 2011. 12% of adults in the region have a mobile money account compared to just 2% globally. Kenya leads with mobile money account ownership at 58%, while Tanzania and Uganda have rates of about 35%. 13 countries in the region have mobile money account penetration of 10% or more. In Cote d'Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe, more adults have a mobile money account than an account at a financial institution. In Kenya more than half of adults who pay utility bills use a mobile phone to do so. And in Tanzania, almost a quarter of those receiving payments for the sale of agricultural products do so into a mobile account. 48% of adults in Sub-Saharan Africa send or receive domestic remittances: Shifting domestic remittance payments from over-the-counter money transfer operators to accounts could double account ownership in Senegal, Cameroon, Democratic Republic of Congo, and Republic of Congo (The Worldbank, 2015)

According to the World bank, *"13% of adult Ghanaians report having access to a mobile account, as compared to the Sub-Saharan Africa average of 11.5% in 2014"*. Whilst access to banking increased only marginally from 34% to 36% of Ghanaian adults, access to mobile money accounts increased from zero to 29% in the last five years (Boakye Yiadom, 2016).

How MTN mobile money contributes to achieving financial inclusion in ghana

In its quest to contribute to achieving financial inclusion in Ghana as much as possible, MTN Ghana through the MTN mobile money platform introduced the following innovative services:

Qwik loan

Qwik loan is one of the mobile money services recently launched by MTN Ghana Limited, operators of MTN mobile money. It is a 30 – day loan facility in the company’s attempt to contribute to promoting financial inclusion in country.

The facility enables just anyone to apply for a loan facility on the MTN mobile money platform without filling out complicated forms or having had to provide documentation which the applicant does not even have. This initiative is designed and provided to customers in collaboration with AFB Ghana, a consumer finance business. The loan facility is meant to meet customers at the point of their needs and to help them access capital for small businesses (Joy Business, 2017).

Yello save

In collaboration with Fidelity Bank Ghana, MTN Ghana has introduced a mobile money service which enables customers to transfer money from their mobile money wallet to a savings account right on the mobile money platform. This feature is to encourage the ordinary Ghanaian to save conveniently and regularly without going through cumbersome banking procedure to open a bank account and to avoid travelling all the way to the bank’s premises just to deposit money into one’s savings account (Aforkpah, 2017).

Easy access to treasury bills

Also, in collaboration with Ecobank Ghana, MTN enables subscribers to purchase government treasury bills on the MTN mobile money platform, thus enabling customers to invest right from the comfort of their location (Aforkpah, 2017).

Conclusion

People living in rural areas, illiterates and the underprivileged are often excluded from a country’s financial and payment systems. One of the ways through which the lives of the afore mentioned calibre of people can be changed is to ensure that they have access to affordable financial services such as having access to a simple savings account and to low – interest credit facilities.

To migrate a huge fraction of society into financial inclusion, banks will have established as many branches as needed in the most remote parts of the country. This cannot be achieved within the shortest possible time. It may take years. However, MTN mobile money is said to have more agents nationwide compared with bank branches and can reach the most remote places where there are no banks yet.

Mobile money has and is still undoubtedly significantly contributing to achieving financial inclusion by all standards.

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