

## Phoney Moneyfinance

Without bank accounts it is difficult to imagine how financial transactions can take place. Without financial transactions, it is difficult to see how economic transactions can take place. Such problems can place a drag on an economy's development. In Africa mobile telephone banking is now providing a solution.

Andile Mbatha, a hairdresser in Soweto previously spent 2 hours on a bus travelling to the bank. Else he hoarded money in his salon. Last year, he opened a bank account with Wizzit, an innovative provider of financial services. Half his customers use their phones to move money from their accounts to his in a matter of seconds.

The market is growing fast; almost half a million South Africans use their mobile phones as a bank. Most South African banks offer telephone banking to their customers. But this is usually an added feature and for affluent clients. Wizzit is targeting 16 million South Africans, over half of the adult population, with no bank account, the bulk of which have a mobile phone.

Mobile banking is just one example of a wider money phenomenon in South Africa where people are being lured away from cash and barter and into more formal financial practices. A simplified kind of account called Mzansi was launched in 2004 to reach the unbanked and portable banks and ATMs have been rolled out in townships and in the countryside. Millions of South Africans send money to their relatives in other parts of the country. And most of these sums, which add up to about 12 billion rand (\$1.5 billion) each year, still move informally.

The potential of such services for developing economies and ones with migrant workers is enormous. Areas of the EU are now supported by armies of migrant workers who send cash home with friends. In 2005 global migrants remitted \$250 billion, of which 20% was lost in fraud and bank charges! The market for transferring cash is immense.

And cellular banking is now a reality. In Kenya, a pilot scheme called M-Pesa is being used to disburse and pay micro-loans by phone. Meanwhile Celpay, which FNB bought last year from Celtel, a mobile-phone company, is offering platforms for banks and

phone companies in Zambia and Congo. In countries like Somalia, with chaotic conditions at home and a huge diaspora, cash transfers by phone would be a boon.

**Question**

1. Why is money and banking important to an economy?