

MOBILE PAYMENTS IN KENYA

FINDINGS FROM A SURVEY OF M-PESA USERS AND AGENTS

JANUARY 2009



A joint research initiative of FSD Kenya, Consultative Group to Assist the Poor (CGAP) and the Central Bank of Kenya (CBK).

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA), Agence Française de Développement (AFD) and the Bill and Melinda Gates Foundation.

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Abbreviations

CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
DFID	Department for International Development
FSD	Financial Sector Deepening Kenya
KNBS	Kenya National Bureau of Statistics
NPS	National Payments System
PIN	Personal Identification Number

Chapter 1

BACKGROUND

Kenya is one of a small number of pioneering countries where financial services are starting to be offered by mobile network operators to people. There is considerable interest in the development of these services since it offers the prospect of providing services to people who presently do not have bank accounts. Instead of using bank branches, basic payment services are now offered through a range of retail outlets. A wide range of outlets could be used to offer services including supermarkets, petrol stations, pharmacies, seed and fertilizer merchants, post offices and the ubiquitous small general stores. Branchless banking through retail agents may be far more convenient and efficient for poor customers than going to a bank branch and thus has the potential to extend financial services to unbanked and marginalised communities.

Branchless banking through retail agents is made possible through the information and communication technologies that customers, retail agents and mobile network operators use to record and communicate transaction details quickly, reliably and cheaply over great distances. Among the first mobile network operators in the world to offer branchless banking were Globe Telecom and SMART in the Philippines. They launched their SmartMoney service in 2000 (in conjunction with Banco de Oro) followed by the G-Cash¹ service in 2000. Customers can store cash, send funds from person to person, pay bills, make loan repayments and purchase goods at shops. They primarily use G-cash to buy airtime and to send money to friends and family.

Kenya has one of the fastest rates of mobile adoption in the world. Just seven years ago only 15,000 people owned a mobile phone; by the time of the survey there were over 14.5m mobile subscribers.² Results from the second FinAccess study that was completed in March 2009 showed that 47.5% of the adult population in Kenya had their own phone. Including those able to use a phone through a friend, family member or agent, access was 78.4%. There has been considerable growth over the last two to three years in rural areas with the number having access to a phone increasing from less than 50% in Sept 2006 to 77.2% in March 2009. This development was mostly driven by the availability of low cost mobile phones and the emergence of pre-paid airtime retailers. By contrast, FinAccess data showed that only 22.6% used a formally provided financial service from a bank (including the government-owned Postbank) or insurance company.

In March 2007, following an initial pilot co-funded by Vodafone and the UK's Department for International Development (DFID) Financial Deepening

Challenge Fund, Safaricom (the Kenyan Vodafone affiliate) launched M-PESA, a mobile-based payment service. Within the first 3 months of the commercial launch 111,000 people registered for the service. A year after the launch there were 1.6 million registered users and a network of over 1,200 agents where people could register, deposit, and withdraw money.

Kenyans are using the M-PESA service to transfer money safely and efficiently. Examples include sending money to relatives, paying field staff their allowances and expenses so they don't need to travel to Nairobi, or sending a long haul truck driver money for spare parts. A taxi driver requesting customers to use M-PESA rather than cash doesn't have to worry about the risk of theft, and someone depositing cash before making a journey to pick it up at his destination avoids the risk of theft. The new service appears to meet the needs of many customers and is becoming very popular as a result.

Kenya's second mobile operator Zain (Celtel at the time of the survey), launched a rival service called Sokotele shortly after M-PESA's launch. The service allowed users to buy airtime and transfer cash person to person. To use the money transfer service a person only needed to have the receiver's ID number, and no bank account or mobile phone is required to carry out the transaction. At the time of the field research the service was being restructured in anticipation of a re-launch and was therefore not covered in the survey.³

These innovations represent a challenge for traditional bank regulation and supervision. Most obviously, M-PESA is being run by a mobile phone operator rather than a financial institution. Compared with traditional branch-based banking, agent-based branchless banking passes direct customer contact to a potentially wide range of different types of retail agents. There are e-money liquidity risks to be considered revolving around the acceptance of repayable funds from retail customers by non-bank entities that are not subject to prudential regulation and supervision.

At present these new systems are not subject to direct prudential oversight in Kenya. However, with the passage of a proposed National Payments System Bill the Central Bank of Kenya (CBK) will have a regulatory responsibility. The authorities recognise the major contribution which new technologies can make to expanding financial service provision to un-banked populations. The desired regulatory approach is one which encourages these developments while managing the key risks involved. Evidence from practical on-the-ground experience of these new money transfer systems is essential to formulating a pragmatic policy for regulation.

CBK's National Payments System (NPS) Division, FSD Kenya and the Consultative Group to Assist the Poor (CGAP) formed a partnership to undertake research into the experience of these new developments in Kenya. Field research was

¹ G-Cash is an e-money account tied to a mobile phone SIM card. The account can be loaded and unloaded by depositing or withdrawing cash at a wide range of retail outlets.

² Data from Communications Commission of Kenya (2009) Sector Statistics Report April-June 2008/09, CCK: Nairobi. These numbers appear to relate to the total number of subscriptions (or active SIM cards) rather than overall penetration rates. The FinAccess survey of March 2009, indicated that 47.5% of Kenya's estimated 18.7m adults owned a mobile phone corresponding to 8.55m people. This contrasts with CCK figures of 17.1m users at the same time. Even taking into accounts users below the age of 18 and subscribers without phones, this still suggests considerable overlap.

³ Zain's new service, Zap, was launched subsequently. This involved a significant change in product from the original Sokotele concept.

carried out from 26th August to 31st October 2008 by Steadman Group, and 3,000 households were interviewed. Of these, 1,210 were M-PESA users (992 registered users and 218 non registered users) and 1,790 were non-users. Users were asked to complete a consent form which allowed Safaricom to release their M-PESA transaction data to be analysed, 1,144 consent forms were signed. In addition to the household questionnaire, agent and head office questionnaires were also used. Over the same period 250 agents and 66 agent head offices were interviewed. Analytical work on the field research data and the Safaricom data was undertaken by two researchers with a specialist interest in this field: Tavneet Suri from the Massachusetts Institute of Technology and William Jack from Georgetown University. This report summarises the findings of the field research, Safaricom's M-PESA user data and the subsequent analytical work.

**Table 1: Financial service access points in Kenya
(as of 31st December 2009)**

	Bank branches	ATMs	Other points
Kenya Commercial Bank	144	197	-
Barclays Bank	117	234	-
Equity Bank	102	377	-
Cooperative Bank	59	182	-
All other banks	465	335	-
Paynet - PesaPoint (third party ATM provider)		110	
Post Office	-	-	1,025
M-PESA agent outlets	-	-	6,104
Total	887	1,435	7,129

Source: Central Bank of Kenya (2009) Banking Supervision Annual Report 2008 CBK: Nairobi and Central Bank of Kenya (2009) Survey on Bank Charges and Lending Rates, 31st December 2008 FSD Kenya/CBK: Nairobi. Interoperable Kentswitch ATMs are included in the banks' list of ATMs, at this time there were 215 ATMs. PayNet's independent PesaPoint ATM network which is also linked to KenSwitch provides cash out for M-PESA .

Chapter 2

KEY FINDINGS FROM THE HOUSEHOLD SURVEY

2.1 Financial access in Kenya

M-PESA was originally developed with the aim of providing a service that would be able reach the majority of Kenyans who are currently unbanked. However, most of the early adopters of the service already have a bank account. This is not surprising given that the first users of new goods and services, the so-called innovators or early adopters, tend to be better educated, and wealthier than the average population.⁴ These early adopters are usually able to risk trying and experimenting with a new service like M-PESA.

Customers are using M-PESA as a complement to their existing financial services. Research from the FinAccess survey of financial service usage in Kenya shows a tendency to use a mix of products and services from formal and informal providers to meet their financial needs. The FinAccess 2009 survey showed that only 8.5% of the financially included use formal financial services alone, the vast majority supplement the offer from banks with other service providers.

Historically, the adoption rates for many new technologies have followed a common pattern: slow uptake in the early phase, followed by exponential growth. It seems that the speed of growth is increasing over time: mobile phones have experienced relatively rapid uptake compared with earlier technological innovations⁵, and M-PESA's uptake was even faster. When users of M-PESA were asked to compare the service with their previous national money transfer service over 95% of users found that M-PESA was faster, more convenient, safer and cheaper. Given the position of M-PESA versus other remittance services the strong growth of user numbers becomes much easier to understand. M-PESA was a compelling offer in terms of its ease of use and pricing. At the time of the survey Safaricom offered service to 4,420,279 users though 4,781 M-PESA agents.⁶ The ease of access compared very well with the 887 bank branches and 1,424 ATMs countrywide, noting that these points of presence are either non-interoperable or only so subject to relatively high charges. Table 1 compares the number of points of presence that the top four banks, Posta and M-PESA have. The introduction of M-PESA has significantly increased Kenya's payments infrastructure although at the time of the survey there was no interoperability or link to the national payments system to allow users to deposit money in bank accounts for example. This is starting to change: a number of banks are now offering accounts which link up with M-PESA accounts.

⁴ The technology adoption lifecycle model describes the adoption or acceptance of a new product or innovation, according to the demographic and psychological characteristics of five adopter groups (1) innovators - had larger assets, were more educated, more prosperous and more risk-oriented; (2) early adopters - younger, more educated, tended to be community leaders; (3) early majority - more conservative but open to new ideas, active in community and influence to neighbours; (4) late majority - older, less educated, fairly conservative and less socially active; (5) laggards - very conservative, had limited assets and capital, oldest and least educated.

⁵ By the end of 2008, Kenya had more than 15.0 million mobile subscribers.

⁶ This has continued to grow very rapidly since. Six months later at the time of the FinAccess survey 5.2m people indicated they were users of M-PESA. By September 2009 the number of registered users was reported at 8.4m and 14,000 agents.

2.2 Who is using M-PESA?

The household survey showed that the average M-PESA user is in comparison to non-users slightly more likely to be male, slightly older, more literate, better educated, and much more likely to be banked (except for age, all these differences were significant at the 5% level, see Table 2). This falls in line with the typical profile of early adopters of new technologies described above.

Table 2: Demographics of M-PESA users and non-users

	Users	Non-users	Difference
Age (Years)	35.60	35.13	0.47
Male	60.87%	46.02%	14.85%*
Can read a newspaper	96.81%	88.00%	8.81%*
Can write a letter	96.58%	87.30%	9.28%*
Banked	72.11%	36.33%	35.78%*
Own a mobile phone or SIM	90.84%	53.11%	37.73%*
Number of households	1,315	1,685	-

*Indicates that the differences are significant at the 5% level.

Similarly, annual expenditures of M-PESA users were about 65% larger than that of non-users and assets were more than twice as large as those of non-users. The wealth index that provides a standardized measure of differences in wealth profiles, confirms this finding by showing an above-average (i.e., positive) mean for M-PESA users, and a below-average (i.e., negative) mean for non-users. Bank account ownership also differed greatly between the two groups: while almost three quarters of M-PESA users held one or more accounts in a bank, close to two thirds of non-users had no account.

Table 3: Economic characteristics of M-PESA users and non-users

	Users	Non-users	Total
Annual expenditure (KShs.)	329,348	197,344	255,211
Assets (KShs.)	209,785	98,679	147,579
Wealth index*			
Mean excluding expenditure	0.67	-0.53	0
Mean including expenditure	0.69	-0.54	0
Bank account usage			
No accounts	27.89%	63.66%	47.98%
1 account	53.44%	30.96%	40.81%
2 accounts	18.58%	5.36%	11.15%
3 or more accounts	0.09%	0.02%	0.05%

*For details on the calculation of the wealth index, see annex A1.

At the time of the survey, M-PESA was largely an urban phenomenon: more than three quarters of users were located in cities and large towns, while 45% of non-users resided in rural areas. The data also indicates that money is flowing from urban to rural areas. While urban areas account for three quarters of sending households, a third of households on the receiving side are located in rural areas.

Table 4: Location of M-PESA users and non-users

	Users	Non-users	Total
Urban tier 1*	20.39%	12.32%	15.86%
Urban other	56.09%	42.89%	48.68%
Rural	23.52%	44.78%	35.46%

*Urban tier 1 includes Kenya's largest cities and towns; Nairobi, Mombasa, Nakuru, Kisumu and Eldoret.

2.3 How do households use M-PESA?

The most common pattern is to use M-PESA once a month (see Table 5). Very few respondents can be classified as high-frequency users (less than 1% accessed the service on a daily basis), and just below 15% of respondents claimed to transact more often than monthly on M-PESA. A sizeable chunk of users - more than a quarter - claimed to use M-PESA less than twice per year.

Table 5: M-PESA usage frequency

Once a week	0.95%
Once a week	6.86%
Every two weeks	6.95%
Once a month	36.33%
Once every 3 months	15.36%
Once every 6 months	4.34%
Less often	27.88%
Never ⁷	1.33%

1,210 observations.

The majority of users rank sending or receiving money the most important feature of M-PESA (Table 6). Storing money for a variety of purposes accounts for about 20% of responses. When receiving money through M-PESA, though, the vast majority of users (97%) claim to withdraw all money immediately.

When asked about the security of M-PESA, the overwhelming majority of users (92%) say that the service is safe. This is mostly attributed to the fact that the PIN is secret, whereby access to the account is restricted to the user only. Having confidence in the operator (Safaricom) or its agents plays only a subordinate role in creating customer trust.

⁷ This refers to those who are registered as users but have not actually used the service.

Table 6: Most important use of M-PESA

Receive money	28.40%
Send money	25.08%
Store/save money for everyday use	14.39%
Buy airtime for myself	13.58%
Buy airtime for someone else	8.30%
Store/save money for emergencies	6.69%
Store/save money for unusually large purchases	0.27%
Pay bills	1.35%
None of these	1.17%
Receive money for a bill/else pay bills	0.77%

3,343 multiple responses from 1,210 users.

2.4 Getting to use M-PESA

42% of responding users started using M-PESA in 2007, and 58% in 2008. Most first-time users first heard about the service through advertising (43%), while 27% were informed through TV and radio, and 16% through friends.

91% of users were able to set up their account with just one visit at the agent. 88% had their account set up within 30 minutes, and for less than 2% the process took more than a day. No users reported having to pay for registration, and virtually everyone had to produce a Kenyan ID in order to register.

Over 80% of users found M-PESA very easy to use; another 15% said it was easy to use. When learning how to use the service nearly two thirds relied on the M-PESA agent. The remaining third of users either figured it out for themselves, or asked a friend or family member.

2.5 Sending money through M-PESA

M-PESA is the most popular method for sending money in Kenya.⁸ Comparing the instruments used with data from FinAccess 2006⁹ shows some remarkable changes: while in 2006 the dominating domestic transfer mechanism was in-kind delivery through family and friends (50%), M-PESA absorbed a substantial share of that market by 2008 (Table 7). There was also a remarkable drop in deliveries using buses and matatus, down from 29% in 2006 to merely 5% in this survey. Post office money orders also are being used significantly less often, even after the launch of the PostaPay service. Given the strong response from users that M-PESA is easier, faster, cheaper and safer than other methods available to them this shift is not surprising.

⁸ FinAccess 2009 also shows that M-PESA is the most popular means of money transfer, used by 40% of adults.

⁹ It should be noted that the two surveys are not directly comparable. Whilst FinAccess is nationally representative this survey excluded some districts equivalent to 8% of Kenya's population. See Annex A1 for further details.

Table 7: Ways to send money

M-PESA using my account	38.13%
Hand delivery by myself	21.96%
Hand delivery by a friend	10.37%
M-PESA from a friend/relatives account	6.31%
Bus/matatu delivery through friend/relative	4.87%
Direct deposit into recipient bank account	6.73%
Bus/matatu delivery through driver/courier	3.93%
PostaPay	2.96%
M-PESA using an agent's account	2.42%
Other	2.33%

4,483 cash/monetary transactions (percentages indicate fractions of transactions amongst sending households).

The most popular reason for sending money is to provide regular support to the recipient (Table 8). Close to half of these transfers are sent to parents living away from the sender's household, followed by other relatives living away from home. The vast majority of remittances are sent to family members. Users of money transfer services select the service provider on the basis of how fast, easy, safe and cheap they believe the service to be. M-PESA users particularly emphasized the speed of M-PESA transactions as an important reason for choosing it to send money (Table 9). Other money transfer services ranked higher on safety and ease of use, while both M-PESA and other services were seen equally attractive with regard to their pricing.

Table 8: Reasons for sending money with M-PESA and other services

	M-PESA transactions	Other transactions	Total
Regular support to the recipient	60.09%	65.07%	63.18%
No reason in particular	11.10%	7.88%	9.11%
Emergency help	8.31%	7.51%	7.81%
Other	7.63%	13.84%	11.47%
Business	6.96%	2.52%	4.21%
Repayment of debt	3.90%	1.86%	2.64%
Extension of credit	2.00%	1.32%	1.58%
Number of transactions	1,709	2,774	4,483

4,483 cash/monetary transactions.

2.6 Receiving money through M-PESA

M-PESA is by far the most important instrument to receive money (Table 10). On average, six out of ten transactions go through an M-PESA account, be it proprietary or that of a friend or relative. As with sending transactions, delivery

Table 9: Reason for sending money with M-PESA and other services

	M-PESA transactions	Other transactions	Total
Faster	47.52%	17.30%	28.83%
Ease of use	21.73%	34.16%	29.42%
Safer	7.66%	13.70%	11.40%
Cheaper price	16.81%	19.45%	18.44%
Other	6.27%	15.39%	11.91%
Number of transactions	1,709	2,774	4,483

4,483 cash/monetary transactions.

through friends and public transport like buses and matatus decreased dramatically between 2006 and 2008.

Table 11 shows that regular support is the dominant reason why money is being received through M-PESA. 12% receive debt repayments through M-PESA. As with sending transactions, the majority of money sent (around 75%) stays within the family. Speed and ease of use are the main reasons why M-PESA is being chosen to receive money (Table 12.).

Table 10: Ways to receive money

M-PESA using my account	42.71%
M-PESA from a friend/relatives account	15.53%
Collected/received by hand	14.25%
Direct deposit into bank account	5.15%
Bus/matatu delivery through friend/relative	5.13%
Hand delivery by a friend	4.96%
Bus/matatu delivery through driver/courier	3.37%
PostaPay	3.16%
M-PESA using an agent's account	1.60%
Other	2.06%
Refused to answer	2.07%

2,413 cash/monetary transactions. Percentages indicate fractions of transactions amongst receiving households.

2.7 Storing money on M-PESA

M-PESA is one of the most important means to store a household's money, alongside bank accounts and the mattress (Table 13).¹⁰ Apart from that, informal mechanisms like merry-go-rounds play an important role in building

¹⁰ The high number of savers seems to contradict the data in Table 6. It is important to note that M-PESA users are here defined at the household level while Table 6 uses the individual level. Furthermore, Table 6 asked users to define whether they used a certain instrument to save. Here, they are defined as savers if they used the instrument to store money for longer than 24 hours.

Table 11: Reasons for receiving money through M-PESA and other services

	M-PESA transactions	Other transactions	Total
Regular support to the recipient	42.90%	55.71%	50.24%
No reason in particular	19.59%	10.20%	14.21%
Repayment of debt	11.99%	7.76%	9.56%
Business	7.98%	7.52%	7.72%
Emergency help	7.92%	5.71%	6.66%
Other	6.94%	10.17%	8.79%
Extension of credit	2.69%	2.92%	2.82%
Number of transactions	1,031	1,382	2,413

2,413 cash/monetary transactions

Table 12: Reason for sending money with M-PESA and other services

	M-PESA transactions	Other transactions	Total
Faster	60.96%	21.73%	38.48%
Ease of use	19.00%	38.91%	30.41%
Safer	6.71%	17.25%	12.75%
Cheaper price	6.96%	11.01%	9.28%
Other	6.36%	11.10%	9.07%
Number of transactions	1,031	1,382	2,413

2,413 cash/monetary transactions

Table 13: Use of savings instruments

	Users	Non-users
Bank account	72.11%	36.34%
Mattress	71.88%	80.86%
M-PESA	75.10%	0%
SACCO	24.43%	14.21%
Merry-go round	41.27%	37.56%
HH Member	15.60%	13.07%
Family member	4.59%	3.73%
With a friend	4.45%	3.43%
Advance purchase	4.46%	3.98%
Stocks	19.46%	5.73%

3,000 households

up savings, for both M-PESA users and non-users. As already seen in Table 3, access to bank accounts largely remains a privilege of M-PESA users. Only slightly more than a third of non-users have access to this instrument.

When asked to rank savings instruments by their importance, the bank account is by far the single most important means to save money, its safety being the main reason for this. M-PESA ranks still after the mattress in terms of importance, while ease of use is stressed as the most important reason for using M-PESA. The main barrier to using a bank account is its cost, while the mattress is mostly not chosen because of its lack of safety. Missing liquidity (ie: the ability to obtain cash from an agent) was cited as the top reason for not using M-PESA.

2.8 Losses and delays experienced with M-PESA

Virtually everyone reports that money sent through M-PESA reached the recipient in full. About 4% of respondents say that they have ever sent money to the wrong person. A third of those who erroneously sent the money never got it back (at the time of the survey, this accounts for around 80,000 users). Those who were able to recover the money normally didn't have to wait for more than a few days for their transaction to be reversed by Safaricom.

Accessibility was a major issue at the time of the survey: one in five users was not able to withdraw money at one point in time. The most frequent reason for users to be unable to withdraw their money was the agent not having cash (69%). In 11% of the cases, the Safaricom network was reportedly down. It is important to note, though, that while customers may be told by the agent that there is a system error, it is possible that some of these incidences represent the agents' preference for blaming the system rather than admitting to have run out of cash. 7% of users report having been unable to withdraw for lack of an ID. When asked how long it took them to eventually withdraw money, more than three quarters responded that they were able to close the transaction within a day or less.

Table 14: Ever lost savings in ...

	Any instrument	Mattress	M-PESA	Bank account
Yes	10.48%	6.66%	1.55%	1.38%
No	89.52%	93.34%	98.45%	98.62%
Number of transactions	2,928	2,489	1,065	1,683

Surprisingly, people who have sent money to the wrong person are only slightly less happy with M-PESA than the average user (8.9 vs. 9.1 points on the satisfaction scale). Even more surprisingly, there is virtually no difference in client satisfaction between people who got their money back and those who didn't.

Relative to other savings instruments, M-PESA still is regarded as one of the safest options, only topped by bank accounts. Reported loss rates are substantially lower for those two instruments compared to informal alternatives (Table 14).

2.9 Experiences with M-PESA agents

Users were also asked about their general view of M-PESA's agents. For 55.6% of users, the closest agent was also the agent they used most. As Table 15 shows, M-PESA customers prefer to use agents that are conveniently located to their homes, which still implies an average distance of close to 6km, resulting in a travel time of around 15 minutes. It is also important to note that the resulting travel cost of 20 KShs. almost equals the cost of a standard M-PESA transaction. Even though recommendations and adverts can influence the agent choice, convenience is still the most important factor for the majority of users.

Table 15: Relationship to M-PESA agent

	Most used agent	Closest agent
Distance to agent	5.82 km	4.92 km
Cost to get to agent	KSh 19.34	KSh 14.69
Time to get to agent	15.02 min	11.86 min
1,210 observations		
Proximity of the agent		
Home	68.46%	71.80%
Work	0.10%	0.12%
Market Centre	31.45%	28.08%
Advance purchase	4.46%	3.98%
N=705 (no response=505)		
Reason for choosing the agent		
Someone the customer knew	8.30%	6.74%
Adverts	11.85%	12.37%
Convenience	68.71%	72.82%
Recommended by someone	11.15%	8.06%

824 observations (no response=386)

The overwhelming majority (82%) feels safe when transacting in an agent shop. Safaricom's requirement for all agents to use a logbook seems to play an important role - 78% claim that this improves overall security. Still, around 12% of users reported not to have shown their ID when placing a transaction (which is actually required by Safaricom).

Even though fewer than 10% of users have had a problem with the agent they most frequently use, nearly a third of users did not trust the agent closest to them to handle cash and transactions well (this number is lower but still

substantial at 22% for the most used agent). It will be important for Safaricom to bridge this trust gap. Table 16 summarises the most frequent issues encountered with agents. Clearly, availability of e-float or cash accounts for the majority of customer complaints, while agent fraud or lack of professionalism seems to be a minor concern. Interestingly, almost half of users who had experienced a problem with an agent returned. This indicates that not all of the issues reported destroy the trust relationship, or that people still consider M-PESA important enough to use even though they encounter issues.

Table 16: Types of problems experienced with agents

	Most used agent	Closest agent
Agent gave less money/e-float that I was owed	2.63%	2.80%
Agent charged me to deposit	1.11%	1.68%
Agent overcharged me	1.17%	1.84%
Agent undercharged me	0.52%	0.78%
Agent was absent	0.74%	0.91%
Agent refused to perform the transaction	0.80%	0.61%
Agent was unknowledgeable	1.04%	1.57%
Agent was rude	3.66%	6.02%
Agent had no e-float/not enough e-float	43.60%	22.81%
Agent had no cash/not enough cash	34.78%	51.33%
Other	9.95%	9.65%

203 observations

9% of all M-PESA users said they had been unable to deposit money at their most used agent and 20% were unable to withdraw. In the majority of cases these issues arose sometimes or only rarely. 97% of customers said they had no other concerns with these agents. Amongst the 3% that reported concerns, those were mostly about lack of cash or e-float, the agent being rude or overcharging the customer.

The average length of time to receive service at an agent was 8-10 minutes. 90% of the time this was through a dedicated M-PESA queue in the shop. Close to 80% of users did not have a problem with the length of the queue. On average, the transactions took significantly less than a minute - in fact, a large percentage of respondents indicated zero transaction time.

Knowledge about M-PESA's tariff structure was very limited at the time of the survey, as Table 17 shows. Fewer than a third of users were able to name the correct charges for different services (see Annex A.4 for an overview of M-PESA's tariff structure). A large number of respondents stated that they didn't know the charges for most of the services offered by M-PESA.

Table 17: Knowledge about M-PESA service charges

	Correct	Within 5%	Don't know	Incorrect by +5%
Registered user to send 1,000/- to reg. user	37.43%	36.28%	14.71%	11.58%
Registered user to send 1,000/- to unreg. user	41.11%	7.77%	28.47%	22.65%
Registered user to send 1,000/- to unreg. celtel user	15.94%	2.53%	72.92%	8.61%
Registered user to withdraw 1,000/- from reg. user	37.59%	18.81%	33.71%	9.89%

867 observations (no response=343)

2.10 Customer care

Customer care is an essential element for any successful product launch. The survey therefore asked M-PESA users if they knew how to contact customer service. In fact, only one in four users knew the procedure, while only 13% claim to have ever used it. Virtually everyone would get in touch with customer service over the phone. Only 7% of respondents said they knew how to file a complaint in case there was a problem with M-PESA, but almost a quarter knew how to file a complaint against an agent.

It is surprising that only 55% of users say that problem was solved after complaining, while 82% say that M-PESA customer service was helpful. This

Table 18: M-PESA's areas for improvement

	1st area	2nd area	3rd area
Faster to answer calls	49.59%	27.90%	2.99%
Quicker to resolve issues	3.79%	30.12%	44.41%
Able to resolve more issues	-	0.60%	20.4%
More accessible	7.60%	2.09%	8.87%
Able to send me a transaction record	1.60%	4.24%	7.98%
More information on agent services	0.89%	17.84%	7.54%
Finding help	14.98%	6.30%	-
Agent	3.72%	-	-
Better services	5.16%	-	-
More information	1.97%	9.90%	7.78%
Friendlier or politer staff	1.78%	0.99%	-
Other	8.90%	-	-

867 observations (no response=343)

apparent disconnect might be explained by the small sample size for this question (33 observations), in which a few inconsistent answers can produce these numbers. When explicitly asked for potential improvements to M-PESA's customer service, two thirds of those having used it had specific suggestions. Among them, faster answer to calls ranks far ahead of all other areas. In general, quicker response seems to be the main area of concern, as Table 18 shows.

Table 19: Compare M-PESA to other services?¹¹

Quicker (vs. slower)	98.00%
Easier (vs. harder)	99.32%
Safer (vs. less safe)	97.71%
More convenient (vs. less convenient)	95.85%
Cheaper (vs. expensive)	95.62%

1,210 observations

Table 20: Impact if M-PESA shut down

A large negative impact	84.21%
A small negative impact	11.51%
None	2.34%
A positive impact	1.94%

1,210 observations

2.11 Overall user experience with M-PESA

How do M-PESA users rank the service compared to other available options like Western Union, Posta Pay, Hawala agents, or commercial banks? Table 19 shows that the ruling opinion is that M-PESA is quicker, easier to use, safer, more convenient, and cheaper than alternative offers. Accordingly, 84% of users say that it would have a large negative impact on their lives were M-PESA to shut down immediately (Table 20). A staggering 53% gives M-PESA "10 out of 10" on the satisfaction scale. Another 35% are very satisfied with the service (Table 21).

2.12 Profile of M-PESA non-users

The key reason for not using M-PESA is the lack of a mobile phone - only 53% of non-users own one compared to 91% of M-PESA users. Other frequent reasons for people not using M-PESA are that they don't need it (either because they don't have money to send, or there is no one to send money to), don't know about the service or don't understand how to use it. Section 2.1 has already shown that non-users have a very different demographic profile compared to M-PESA users. Accordingly, their money transfer activity is markedly lower, for both sending and receiving transactions (Table 22). Still, close to 40% of non-users claim to have used money transfer services to send money, and around 30% to receive money.

¹¹ FinAccess 2009 reinforces this perception: M-PESA is perceived as the least risky, least expensive, fastest, easiest means of money transfer.

Table 21: Satisfaction with M-PESA

1 – extremely unhappy	0.63%
2	0.27%
3	0.87%
4	0.08%
5	0.48%
6	2.19%
6	6.86%
8	12.27%
9	22.93%
10 – extremely happy	53.42%

1,210 observations

When asked what types of services M-PESA provides, non-users were asked to rank the individual services by importance. Sending money comes first, which is no surprise given that M-PESA's slogan has always been "send money home". Receiving money is ranked second, and third is storing money. Non-users see the benefits of M-PESA particularly in being faster and easier to use than other money transfer services. Interestingly, price ranks third (ignoring the category "don't know"), with barely 10% of non-users stressing it as a benefit of M-PESA (Table 23). Knowledge about disadvantages is very limited, with lack of security and high pricing leading the list (Table 24).

Table 22: Money transfer activity

	Users	Non-users
Sending money	71.58%	37.74%
Receiving money	63.31%	28.40%

1,210 observations

Table 23: Benefits of M-PESA

Faster	32.64%
Don't know	30.57%
Easier	21.53%
Cheaper	9.47%
Safer	3.96%
Others	1.83%

1,210 observations

What would encourage non-users to use M-PESA? There seemed to be consensus on how the service could be improved from both users and non-users. The three key service enhancements that they'd like to see are: saving and earning interest on their money, the ability to pay school fees, and depositing and withdrawing at an ATM (Table 25).

Table 24: Disadvantages of M-PESA

Don't know	69.70%
Unsafe	9.84%
Costly	7.88%
Others	5.72%
Hard to use	4.87%
Slow	1.99%

1,790 observations

Table 25: Potential improvements to M-PESA

	Improvement 1	Improvement 2	Improvement 3
Pay power bill or other bill services	2.95%	-	-
Pay school fees/ education costs	11.90%	6.85%	-
Pay for purchase in a shop	3.00%	11.45%	4.92%
Do internet purchases	0.84%	0.42%	0.23%
Save and earn interest on my money	12.07%	27.48%	14.33%
Deposit and withdraw at an ATM	2.46%	15.96%	7.64%
Transferring money between my bank account	1.03%	6.71%	15.41%
Send money to someone in another country	1.13%	7.34%	12.82%
Receive money from someone in another country	1.22%	6.39%	13.24%
Convert airtime to M-PESA value	0.57%	3.11%	6.83%
Use it on other networks in Kenya	2.51%	9.88%	18.59%
Other	10.33%	4.40%	6.01%
None	0.29%	-	-
Refused to answer	49.71%	-	-

2,425 observations

Chapter 3

KEY FINDINGS FROM THE M-PESA AGENT SURVEY

3.1 General information about surveyed agents

250 agents were sampled as part of the survey, of which around a quarter were based in Nairobi (Table 26; for details on the methodology for sampling agents see annex A1). Nearly half of M-PESA agents are also mobile phone vendors, which shows the strong leverage of existing air time dealers by Safaricom. However, there has been diversification away from this type of agent: 28% of M-PESA agents have specialised in the business and carry out no other type of operations on their premises (Table 27).

Table 26: Agent location

Nairobi	26%
Central	17%
Eastern	13%
Rift Valley	21%
Western	8%
Nyanza	8%
Coast	8%

250 observations

Table 27: Main business of agent

Mobile phone shop	48%
M-PESA	28%
Bank or forex bureau	11%
Cyber cafe	4%
Other	4%
Petrol station	1%
Pharmacy	1%
Retailing groceries	1%
Supermarket	0.4%
Video library	0.4%

250 observations

Agents also tend to be grouped into outlets managed by a single head office. The agents interviewed said they were a member of a group between 2 to 86 outlets strong. 23% of respondents either didn't know or wouldn't say how many outlets were in their group. Of those who did respond 4% were sole outlets and a majority of 56% were in groups of 2 to 10 outlets.

The number of staff in an agent outlet ranged from 1 to 40, with most agents employing up to three staff (60.4%). In more than three quarter of the cases, one or two staff members were responsible for the M-PESA business.

The majority of surveyed agents had been offering M-PESA for less than a year (78%). Most outlets communicated with their head office via a cell phone, and only one outlet used the internet to communicate.

3.2 E-Float and cash management

53% of agents said that their head office managed their e-float, while 40% of outlets request e-float from the head office directly. In the remaining cases, it was a mix of these two. As Table 28 shows, e-float is paid for in different ways. In a third of cases e-float is directly purchased from the head office and settled in cash. In another third of cases, the transaction with the head office does not involve any payment.

Table 28: Forms of payment for e-float

It is a direct purchase of e-float from the head office (involves a cash transfer)	36.2%
Receive direct transfer of e-float from head office no concurrent payment, M-PESA accounts reconciled at regular intervals	31.2%
Receive direct transfer of e-float from HO, no payment required, M-PESA accounts not reconciled separately from regular accounts with HO	18.1%
Other	12.6%
Refused to answer	2%

199 observations (no response=51)

24% of agents make direct deposits into the M-PESA trust account in the Commercial Bank of Africa (CBA), at varying frequencies (Table 29). The average value of these deposits lies in the range of Kshs 100,000 to 200,000.

Table 29: Frequency and value of direct deposits at CBA

	Frequency	Average value (KShs.)
More than once a day	18.3%	212,727
Once a day	20.0%	110,000
Once a week	15.0%	211,111
Once a month	1.7%	100,000
Less often than that	45.0%	-

60 observations

3.3 Impact on liquidity

Table 30 shows that more than 40% of respondents claimed to have run out of e-float before. On average, 5.6 deposits a week are lost due to this (an average weekly value of KShs 29,386).

9.3 withdrawals a week have been refused as a result of running out of cash (an average weekly value of KShs. 26,287), and 50% of agents reported to have encountered that situation before (Table 31). This can pose a major threat to the viability of M-PESA's business model given that customer won't be able

Table 30: Frequency with which the agent runs out of e-float

More than once a day	3.2%
Once a day	6.4%
Once a week	14%
Once a month	5.6%
Once every three months	1.2%
Once every six months	0.4%
Less often than that	12%
Never	57.2%

250 observations

to execute a basic function - withdrawing their money. In 43% of these cases, agents reported to have used their own savings in order to replace missing cash. The second most common alternative is to obtain the missing cash from the head office, either without exchanging e-float (20%), or in exchange for e-float (18%). Other options include waiting for other users to deposit money, or borrow from the shop's management directly.

Table 31: Frequency with which the agent runs out of cash

More than once a day	3.2%
Once a day	8.4%
Once a week	10%
Once a month	4.8%
Once every three months	1.2%
Once every six months	0.4%
Less often than that	22.4%
Never	49.6%

250 observations

Table 32: Frequency with which the agent runs out of cash

	Over last week	Over last month	Over last 6 months
Number of new users registered in specified period	58.68	290.2	1102.5
Number of customers a day in specified period	261.5	346.8	688.8
Number of M-PESA customers a day in specified period	181.3	327.1	614.0

250 observations

3.4 Profitability and business impact

76% of agents said that M-PESA has increased their overall business (on average by 40.7%), greatly outnumbering the 9% who say it decreased (on average by 33.7%).

Table 32 shows that the average agent outlet had signed up close to 300 new M-PESA users over the most recent month, and served on average around 330 M-PESA customers per day during the same period. This number is just slightly below the number of total customers per day, indicating that the vast majority of customers are making use of the agent's M-PESA offer.

3.5 Fraud and security

Fraud is a serious concern for M-PESA agents (Table 33). The three most prominent types of fraud (based on the first response only) were counterfeit money (40%), customers using fake IDs (28%) and false PIN numbers (13%).

Table 33: Occurrence of fraud

Once a day	2.8%
Once a week	6.4%
Once a month	4.4%
Less often than that	20.4%
Less often than that	0.4%
Never	65.6%

250 observations

90% of respondents claim that their agent shops have never been broken into. When it happened, the reported frequency of break-ins was less than twice a year. The data also shows that the introduction of M-PESA had no discernible impact on the occurrence of break-ins.

Table 34: Frequency of agent being asked to do a transaction on account of a client

More than once a day	10.5%
Once a day	14.5%
Once a week	27.6%
Once a month	9.2%
Once every three months	0.7%
Less often than that	37.5%

152 observations

Another area of concern are transaction errors caused by the agents. 46% of respondents say they never make errors when making transactions, and 44% say it happens less often than once in three months. 98% of agents know how to ask Safaricom for help when they make mistakes, and in 89% of the cases, Safaricom is able to help agents fix these errors.

Table 35: Frequency of agent being told a client's PIN

Every customer	1.6%
1 in 10 customers	12.8%
1 in 20 customers	10.8%
1 in 50 customers	4.8%
1 in 100 customers	8.4%
Less often than that	22%
Never	39.6%

250 observations

3.6 Agent service and Anti-Money Laundering (AML)

When asked how many registered users tried to transact without the correct form of ID during the past week, most agents remembered up to 5 cases (a significant minority of 36% couldn't remember even one case, though). Still, some agents (most probably the larger ones) reported 20 cases and more per week.

Only 59% of customers are generally comfortable showing their IDs to agents. Cases in which registered customers tried to make a transaction with just a

copy of their ID are hence not uncommon: 32% of agents say this happens once a day or even several times per day, while around a third claims that this has never happened. 10% of respondents agree to service their customers with just a copy of their ID.

61% of agents report that customers send other people to do a transaction on their account for them. This happens pretty regularly, on a daily, weekly, or monthly basis (Table 34). 33% of agents usually agree to serve this individual.

When someone registers for M-PESA, 95% of agents show them how to use it, and 74% suggest a way for them to choose a PIN (6% say they choose a PIN for the client, which is a clear violation of the security procedures). Clients themselves are not very prudent when it comes to data confidentiality: a substantial fraction tells agents their PINs when signing up (Table 35).

If people who are not registered for M-PESA want to send money, 95% of agents encourage them to register. In case the client rejects, 90% of agents say that they would never send money on their behalf. In those cases where the agent did offer to send money on behalf of a non-registered user, the average value of the transaction was KShs. 5,020.

Chapter 4

RECOMMENDATIONS BASED ON THE SURVEY RESULTS

4.1 Agent training

To ensure that agents meet certain minimum standards and comply with the agent agreement it is important that staff receive training both before becoming an agent and take part in at least one annual re-training. Agents may be further incentivized by setting up an annual prize for the best customer service (i.e., the least number of complaints). Users could for example be encouraged to vote on the best agent in their neighbourhood. Elements of the agent training should include information on:

- Rights and responsibilities of being an agent;
- Providing appropriate customer service;
- Understanding the importance of requesting a national ID for each transaction;
- Explaining to customers how they can make a complaint;
- Performance monitoring and the consequences of poor performance (a removal of the M-PESA franchise).

4.2 Agent monitoring

Agents' performance must be monitored independent of any complaints from users. Safaricom plans to use mystery shoppers that assess the quality of an agent. This exercise should be conducted at least every six months and should include a review of:

- Compliance with agent agreement and procedures (including ID request);
- Level of customer service;
- Correct charging of customers (avoid splitting transactions to earn extra transaction fees);
- Appropriate referral of customers to complaints process (M-PESA customer care line 234);
- Liquidity - correlating complaints of lack of cash to particular agents.

4.3 Consumer information campaign

This should be aimed at existing users through posters in agent shops, advertising, text messages, etc. Some of the key messages should revolve around:

- How and why users should keep their PIN safe and private;
- How to complain about an agent or the product itself;
- The fact that the agent shouldn't charge for any service except for deposits;

- Users should double check the number that money is being sent to - making a mistake could mean losing one's money.¹²

4.4 Complaints monitoring

To improve the service it is vital to monitor all customer complaints. At the time of the survey only fraud related complaints were being tracked. Below are some suggestions that would enrich Safaricom's understanding of customer concerns and hence help to improve the service:

- Track waiting time and call volumes on the 234 number;
- Categorise types of calls. Keep records of all complaints, not just those relating to fraud. Issues such as a user's inability to withdraw because of lack of cash at an agent should be logged so problem agents can be tracked and a solution devised to address the problem.

4.5 Improved complaints process

An escalation process only exists for fraudulent transactions. The current complaints process does not acknowledge the weaker position of consumers versus agents and Safaricom. It is therefore recommended that:

- The number of lines/operators on 234 should be increased to reduce waiting times. An explicit target on waiting times or a ratio of operators to users should be set, and progress monitored.
- User and agent feedback should also be used to create a more comprehensive complaints process. This would include creating an escalation process for non-fraud complaints.

¹² An alternative to this would be changing the M-PESA menu so that it requires double entry of the recipient's phone number

Annex 1

SURVEY METHODOLOGY

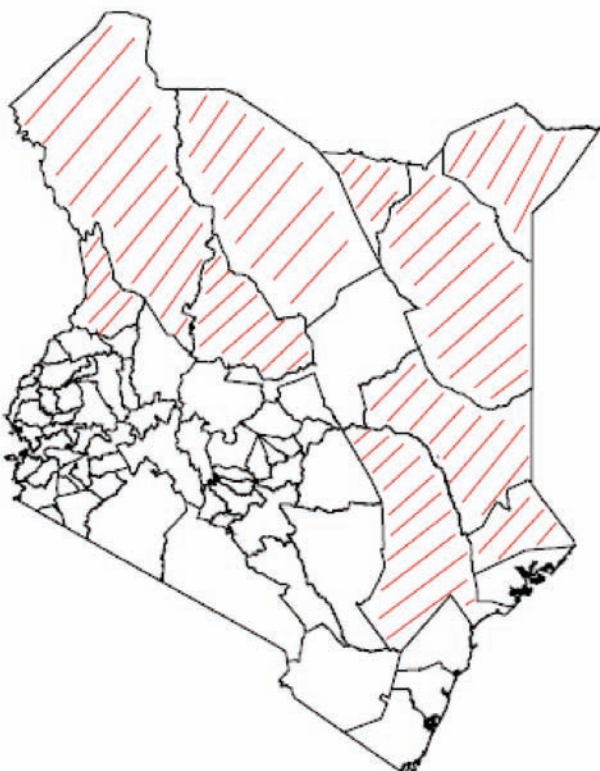
After a competitive process the Steadman Group was contracted to:

- Collect primary data through face to face interviews with; (1) M-PESA users and non-users (2) M-PESA agents (3) agent head offices.
- Capture, clean and format the data collected, using an approved data map/template and analysis and software.
- Deliver a cleaned data set.

Survey coverage: The survey did not cover the whole country but excluded some districts where usage of M-PESA and mobile phones more generally is much lower. Those excluded districts account for 8% of Kenya's total population. The survey was therefore representative for the districts in that it was conducted. The diagram below shows the districts shaded in red where the survey wasn't carried out and Safaricom's network coverage in green.

Survey instruments: Three questionnaires were developed by Tavneet Suri (Massachusetts Institute of Technology) and William Jack (Georgetown University) for use by Steadman in face-to-face interviews held at households or the agent's business premises.

1. Household questionnaire (M-PESA users and non-users) - 3,000 questionnaires were completed.
2. Agent questionnaire - 250 questionnaires were completed.
3. Agent head office questionnaire - 66 questionnaires were completed.



When conducting household interviews the interviewer also requested registered MPESA users to sign a consent form. A signed consent form with correct ID number allowed Safaricom to share that individual's transaction data with FSD for analysis at the aggregate level. 1,144 consent forms were signed, although a portion did not accurately match the ID number and/or name that Safaricom holds for each M-PESA account.

Sampling frame: The sampling frame for the household survey was the National Sample Survey and Evaluation Programme (NASSEP IV) of KNBS (Kenya National Bureau of Statistics). Sampling was multi-staged. First, administrative locations with M-PESA agents and the corresponding clusters (enumeration areas in which KNBS has administered regular survey updates) were identified. Of these locations, 119 were picked with probabilities proportional to the number of agents in each. The idea was to oversample in areas with more M-PESA agents so as to get a sufficiently high number of M-PESA users in the sample. The probabilities of picking a location ranged from 0.6% to 5%. Using the targeted sample size of 3,000, a total of 300 clusters were selected in these 119 locations. From each of the selected clusters, a total of 10 (ten) households were randomly picked. KNBS therefore provided the lists of the original locations from which to draw the sample and then the corresponding lists of clusters and households in each cluster to be interviewed. All data presented in this report is weighted back to the total population.



In cases where households could not be traced, were inaccessible (some houses have been re-located, destroyed or are in protected areas), or in which the people to be interviewed were not available, the supervisor picked substitute households from a list provided by KNBS.

The main interviewee was the head of household and/or his/her spouse(s). In situations where the head/spouse were not registered for M-PESA, another member of the household with an M-PESA account was interviewed after the head of household had provided household demographics, consumption and experiences data. Up to three return visits were made to the household in cases where the respondent was not available during the first visit.

For the agent survey Safaricom provided a complete list of 2,332 agents as at April 2008 from which a random sample of 270 agents was selected. 250 agent questionnaires were successfully completed.

For the agent head office survey a similar process was followed. Safaricom provided a complete list of 450 head offices as at August 2008 from which 75 were randomly selected. 66 head office questionnaires were successfully completed.

Field work: The field team members were recruited from the Steadman pool of trained and experienced enumerators. There were 8 supervisors and 25 interviewers in the team. Members of the team were largely drawn from institutions of higher learning, including universities and tertiary colleges. Nearly 70% of the team members recruited have worked in other projects conducted by the Steadman Group, and thus had the necessary experience in and requirements for field data collection.

The field team members underwent intense training and briefing sessions before embarking on the actual data collection process. The training/briefing which lasted almost 2 weeks from 4th to 21st August 2008, focused on different components of the study, including familiarity with the study background and objectives, interviewing skills/process, understanding each and every question, sampling procedures and quality control measures. These sessions were conducted centrally in Nairobi, by Steadman Group in conjunction with Professor Suri. Training was in both English and Kiswahili.

During the sessions, the role of each member of the team in ensuring smooth data collection was defined and emphasized, e.g. ensuring the interviews were done in a free and comfortable environment and in total confidentiality.

Pre-testing/piloting of the questionnaires took place before field work started. During this phase the field team tested the questionnaires to check for suitability and understanding of the questions both by interviewers and interviewees, to identify any potential problems, ambiguities caused by either the phrasing and/or wording of the questions, the formatting/flow of questions, the relevance and admissibility of some of the questions and also to test ease of administering the questionnaires. After each pilot phase this feedback was used to refine the questionnaires. English and Kiswahili versions of the household questionnaire were made.

Data collection lasted about two months (26th August to 31st October 2008). The Steadman Group ensured that quality control measures for data collection were in place. These included back-checks, supervisors accompanying interviewers, ensuring correct sampling procedure were followed and that selection of respondents followed standards. In addition, tamper-proof questionnaires were used where formatting and bar coding prevented any tampering with data. Interviews were carried out in either English or Kiswahili according to the respondent's preference.

Data capture: After the data collection process was completed, the questionnaires were scanned to electronically capture the data using a windows based program/software - FORMIC. The automated electronic data capture significantly reduces errors related to manual data capture and is remarkably fast and accurate. To ensure that data is correctly captured, 15% of the questionnaires were re-scanned and 10% physically checked for inconsistencies. A data file using SPSS software version 16, and the data map provided by the client was then submitted.

Construction of the wealth index: Principal Component analysis was used in the creation of the wealth index. This approach analyses the correlation between variables, compresses them into axes and generates weights for each variable. It also describes the minimum number of variables necessary to explain the variation in all these variables.

Index 1 used the below variables. Index 2 uses the same variables with the addition of the expenditure variable.

1. Dwelling that is rented;
2. Dwelling with Iron roof;
3. Dwelling with Stone wall;
4. Dwelling with Cement floor;
5. Dwelling with Electricity;
6. Dwelling with Pit latrine;
7. Dwelling with Piped water;
8. Assets.

Annex 2

M-PESA TARIFFS (AT THE TIME OF THE SURVEY)

Transaction type	Transaction range		Consumer charge (Ksh)
	Minimum	Maximum	
Value movement transactions			
Deposit cash	100	35,000	0
Send money to registered M-PESA user	100	35,000	30
Send money to non M-PESA user	100	2,500	75
	2,501	5,000	100
	5,001	10,000	175
	10,001	20,000	350
	20,001	35,000	400
Withdraw cash by registered M-PESA user	100	2,500	25
	2,501	5,000	45
	5,001	10,000	75
	10,001	20,000	145
	20,001	35,000	170
Withdraw cash by non M-PESA user	100	35,000	0
Buy airtime [for self or other]	20	10,000	0
Information transactions			
Show balance			1
Change PIN			20
Update menu			0
Change language			0

- All charges are deducted by M-PESA from your M-PESA account (Customers should NOT pay out any amount in cash to the agents for transactions);
- All SMS sent to and from M-PESA are FREE;
- To use M-PESA, your Safaricom phone needs to be ACTIVE;
- Registration is FREE.

When sending money to another registered M-PESA user the total charges applicable are the sum of Sent Money (charged to you) + Withdraw Cash (Charged to recipient). E.g If you send KShs 3,000 to a registered customer it will cost them KShs 45 to withdraw it. Therefore, if they need KShs 3,000 you will need to send them KShs 3,045. Overall it will cost less to send money to a registered M-PESA user.

Source: <http://www.safaricom.co.ke/index.php?id=266>



