Chapter 8
Impact of Mobile Payment Applications and Transfers on Business:
Financial Inclusion and Innovation – The Case of Mpesa in Kibera Slum, Kenya

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ABSTRACT

Despite Kenya having over 40 banks, only three banks are accessible to the residents of Kibera Slum. Kibera Slum is located on the outskirts of Nairobi and is home to approximately 0.75 million people. A majority of the population in Kibera Slum comprises of either unemployed or casually employed adults whose income levels are considerably low, making it impossible for many of them to operate formal bank accounts. However, the evolution of mobile money technologies has made financial inclusion and innovation possible for Kibera Slum residents. The mobile-banking facility known as M-Pesa enables mobile money remittances and has an outstanding record of financial inclusion and innovation. The objective of this research was therefore to examine financial inclusion and innovation in the Kibera Slum. The study used self-administered questionnaires to answer to two objectives. The study found out that M-Pesa services are accessible and widely used in Kibera Slum. The study also found that M-Pesa business is rated average as a source of income to M-Pesa agent. Ultimately, the study observed that financial inclusion and financial innovation are prevalent in Kibera Slum. These findings have significant implications: the study sheds light on the fact that the slum dwellers have embraced the use of M-Pesa services as a platform to access financial services, establishing more innovative financial services that will help the low income earners expand their businesses and training M-Pesa agents will enhance sustainable business growth and promote innovation.

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INTRODUCTION

As a general economic and financial proposition, poor people are generally marginalized or quite often shut out of a country’s economic and financial wealth. In this study, this is taken as a given truism. Accordingly, both the theme and rationale for this study is innovative financial inclusion for the low income population. Prior to the introduction of mobile money by Safaricom, financial inclusion for the poor was not only unthinkable but also impractical (Buku and Meredith, 2013). But because it is a desirable human trait for any country, sometimes efforts are made (publicly and/or privately) to establish ways and means for the poor to access ways and means of improving their lives. In Kenya, such an effort has been made by and through a private company’s innovation in financial inclusion. Accordingly, this survey explores how innovative financing, and therefore financial inclusion, has indeed been technologically enhanced to include even those who live and work in the slums and, in particular, Kibera slum which is the subject of this inquiry. It is generally acknowledged that Kibera Slum is not only the largest slum in Kenya but also in Africa (Onyango and Tostensen, 2015).

Financial inclusion should target to give attention to a population that has been excluded from the financial sector due to their location, level of income, type of activity and financial literacy. Financial inclusion need to address the challenges of the unbanked by making finances available, accessible and affordable to all segments of the population. The majority of the unbanked uses phones that cannot access financial transactions and thus the need to address challenges such as reachability and affordability (Sangeetha & Koushik, 2018). The unbanked population in Africa is a sizeable market. Mobile banking has made it easy for the unbanked to receive, send and make payments. In the past ten years financial inclusion in Kenya has significant increased (Central Bank of Kenya, 2014).

POVERTY AND DEMOGRAPHICS IN KENYA

According to the data released by Kenya National Bureau of Statistics and United Nations, (2018), the current population in Kenya is slightly above 50 million on an area of 580,370 km². Out of this population, about 70% are below the age of 30 years. The mean average age of the population is 19 years while life expectancy is 59.5 years. The ratio of male to female is almost 1:1. Out of the total population, about 36 million are in the rural areas and 14 million in the urban areas. As a result of harsh climatic conditions and land fragmentation, the urban areas are becoming over populated with young school leavers searching for formal employment. According to the United Nations Development Programme (2018), unemployment stood at
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