



Mobile Banking and Access to Finance In Africa

Microfinance is a burgeoning tool for poverty alleviation and economic growth. It is a method of financial services designed to extend credit to low-income clients, and in some countries, to provide an opportunity for microsavings or microinsurance for those who lack access to banking and related services. Gaining prominence in the 1980s through programs such as the Grameen Bank, its reach continued to grow and today microfinance institutions operate in over 100 countries and serve more than 92 million people.¹

One challenge for effective delivery of microfinance services is accessing its users. Mobile banking has become an invaluable mechanism for achieving more effective service delivery, especially in Africa, where there has been substantial growth in its use. It is estimated that three-quarters of the countries that most often use mobile money are in Africa.² In countries such as Kenya, Sudan, and Gabon half or more of adults use mobile banking.³ Mobile banking is a way for people to obtain financial services, whom otherwise lack the access to more traditional means such as visiting a bank branch or an ATM. This is due in large part to the disparity in reach that telecommunications companies and banks have on the continent, with the former extending to a far greater number of people.⁴ Although concerns such as low literacy, poor network coverage in remote villages, and the costs associated with extending the network remain constant, the endeavor is considered to have great promise.⁵ Indeed, the continued refinement and proliferation of this mechanism, coupled with the proven history of microfinance, promises that financial development in this dynamic can be a continuous means of poverty alleviation and economic growth.⁶

¹ MICROFINANCE INFORMATION EXCHANGE, <http://www.themix.org/about/microfinance> (last visited October 12, 2012).

² *Press 1 For Modernity: One business where the poorest continent is miles ahead*, THE ECONOMIST, April 28, 2012, available at <http://www.economist.com/node/21553510> (last visited October 14, 2012).

³ *Id.*

⁴ MICROFINANCE AFRICA, <http://microfinanceafrica.net/microfinance-technology/interview-mobile-banking-a-promising-industry-in-africa-experts/> (last visited October 14, 2012).

⁵ *Id.*

⁶ Michael S. Barr, *Microfinance and Financial Development*, 26 Mich. J. Intl. L. 271, 274 (2004). *See also* *Microfinance in Africa: Combining the Best Practices of Traditional and Modern Microfinance Approaches towards Poverty Eradication*, <http://www.un.org/esa/africa/microfinanceinafrica.pdf> (last visited October 14, 2012) (discussing the means for effectuating microfinance in Africa).