

Mobile Money, Mobile Banking and the Governance of Emerging Technologies in Africa

Okey C. Iheduru, School of Politics and Global Studies, ASU

Modern banks in Africa have historically struggled to overcome their colonial heritage of catering primarily for government, corporate and high-worth individuals. Since the last decade, mobile money operators have begun to challenge this status quo by providing low-cost banking services to the neglected bottom part of the pyramid through innovative cellular telecommunications technologies. Many banks have responded and are scrambling to catch up by creating a variety of mobile banking products and facilities, as well as a customer-oriented corporate culture and service innovation. Although mobile money and mobile banking have been hailed as “the future, not a fad,” most central banks in Africa are still tied to the old banking paradigm and have yet to fully understand the dynamics of mobile banking. Many are concerned about the risks involved (including terrorists financing) and therefore resist this bottom-up pressure, while some resistance has been instigated by banks that are threatened by mobile operators encroaching into their space. Yet, some central banks (e.g., in Ghana) have allowed mobile operators to provide money transfer services, substantially benefiting millions of unbanked Africans and reduced money transfer costs.

Despite these contradictory regulatory tendencies, a new era of regional banking is emerging alongside the “Africa Rising” sentiment. Generally, political and business trends seem to be dictating an ever-quicken pace in regional banking developments, often literally dragging political leaders to co-construct the necessary governance framework for both domestic and regional integration of this new service and the innovative technologies. A deeper level regional economic integration has also spurred the growth of even broader regional banking systems, with major banks in Kenya, Nigeria and South Africa investing substantially in cross-border operations, just as all senior bankers in the region are now compelled to think regionally rather than nationally in the technological systems they set up and the services they provide. Conflicts have however arisen on several fronts between telecommunications companies and banks over property rights issues, while inter-agency conflicts are rife because different agencies regulate the telecommunications and banking sectors. Each level or type of conflict raises a slew of legal, policy and ethical challenges, especially in the relations between the poor and the telecommunications and financial services companies and consumers who are often caught in the cross-fire between state agencies and those agencies and private sector operators.

This paper therefore seeks to map the outlines of the governance challenges facing the mobile money and mobile banking industry in Africa vis-à-vis innovative telecommunications and banking technologies. It explores strategies for an optimum coexistence between regulation and innovation to enhance the potential of mobile money and mobile banking to integrate Africa’s poor and informal sector into the economic mainstream. Moreover, the paper explores lessons that Africa’s mobile money and mobile banking operators, government agencies and other stakeholders can learn from global best practices, especially in effective communication to avoid the kind of social instability that negative information or misperceptions can cause at the level of the economy where these innovative technologies and services are largely concentrated.