For Immediate Release

SWIFT Institute research demonstrates that mobile banking increases financial inclusion

New study from the SWIFT Institute and the Harvard Kennedy School looks at the impact of mobile banking on levels of financial inclusion in Africa through the lens of Kenya

Johannesburg, 05 June 2016 – The SWIFT Institute, in partnership with the Harvard Kennedy School, today released new research on the impact of mobile banking on financial inclusion. The report, '*A Quantum Leap Over High Hurdles to Financial Inclusion: The Mobile Banking Revolution in Kenya*', focuses on sub-Saharan Africa, through the lens of Kenya. It reveals that as a result of mobile banking Kenya's financial inclusion rates have increased dramatically; however, the research also states that Kenya's success may not be easily replicated in other developing countries.

Author of the study, Dr. Jay Rosengard, Director of the Mossavar-Rahmani Center for Business and Government's Financial Sector Program at Harvard Kennedy School, says, "*With this research we aimed to understand the real impact of technological and business model innovations on levels of financial inclusion and poverty reduction. The research analyses the impact of mobile banking because this technology holds the greatest promise in overcoming geographic, demographic and institutional constraints to financial inclusion*."

Financial inclusion rates in Kenya are more than double those in other sub-Saharan countries. The transformation has been rapid: from 2006 to 2015 adults using formal financial services tripled, rising from 26.7 to 75.3%. Adults totally excluded from formal financial services dropped by more than half, falling from 41.3 to 17.4 percent.

The report shows how the mobile banking industry within Kenya has driven the country's overall financial inclusion rates. In 2014, 58.4% of all adults had a mobile account and approximately 90 percent of all senders and recipients of domestic remittances used a mobile phone.

The primary driver of change has been the extraordinary success since 2007 of Safaricom's M-PESA. However, Rosengard identifies several unique factors that explain M-PESA's success. These include Kenya's political and economic context, demographics, telecommunications sector structure, a lack of affordable consumer choice and enabling regulatory policies. The report highlights that these combined with Safaricom's internal astute management and marketing of M-PESA created a unique environment.

"*Since no two countries are exactly the same, it would be ill-advised to suggest that Kenya's strategy for increasing financial inclusion simply can be transplanted to another country*", says Rosengard. "*M-PESA's success in Tanzania and failure in South Africa are vivid demonstrations of these replication principles. However, where Kenya's success factors might be present, albeit perhaps in a different form, many of Kenya's lessons can be adapted. Where conditions are significantly different, the challenge will become how best to nurture home-grown innovative solutions to address specific local constraints.*"

The report aims to assist additional markets on the African continent in developing their own financial inclusion programmes based on Kenya's experience.

Disclaimer:
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About SWIFT Institute

Launched in April 2012, the SWIFT Institute fosters independent research to extend the understanding of current practices and future needs across the financial industry. Managed by SWIFT, and working in close collaboration with academics from top international universities, the SWIFT Institute brings the financial industry and academia together to explore ideas and share knowledge on topics of global importance.

The research covers various aspects of transaction banking, including the following areas: Payments, Clearing / Settlement, Cash Management, Trade Finance, Trust and Securities.

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Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories, enabling them to communicate securely and exchange standardised financial messages in a reliable way. As their trusted provider, we facilitate global and local financial flows, support trade and commerce all around the world; we relentlessly pursue operational excellence and continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies.

Headquartered in Belgium, SWIFT's international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT's global office network ensures an active presence in all the major financial centres.

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