MOBILE MONEY ADOPTION IN KENYA: THE ROLE OF MOBILE MONEY AGENTS

Martin Parlasca, Constantin Johnen, Oliver Mußhoff

Introduction and background

Mobile money has emerged as a transformative financial service, changing the way people in the Global South can manage finances and access essential services. Enabled by advancements in mobile technology, mobile money platforms allow users to perform a range of financial transactions, such as money transfers, bill payments, savings, and loans, using their mobile phones. The widespread adoption of mobile money has the potential to drive financial inclusion, reduce poverty, and foster economic development.

Central to the success of mobile money systems are the network of mobile money agents. These agents act as intermediaries between the mobile money service providers and the end-users, facilitating transactions and providing support. They play a crucial role in bridging the digital divide and extending the reach of formal financial services to previously unbanked or underserved populations.

Mobile money agents operate as physical touchpoints within the communities they serve, enabling people to convert cash into digital currency and vice versa. They typically include local shops, kiosks, post offices, or dedicated agent outlets. These agents play a vital role in establishing trust, educating users about mobile money services, assisting with registration, and providing liquidity for cash-in and cash-out transactions.

The significance of mobile money agents in driving adoption and usage of mobile money systems has been widely acknowledged. They serve as a critical link between the technology-driven financial service and the end-users, especially in areas with limited banking infrastructure or low digital literacy (see Figure 1). As such, understanding the key characteristics and behaviors of mobile money agents becomes crucial in devising strategies to enhance adoption rates and maximize the potential benefits of mobile money for people and economies.
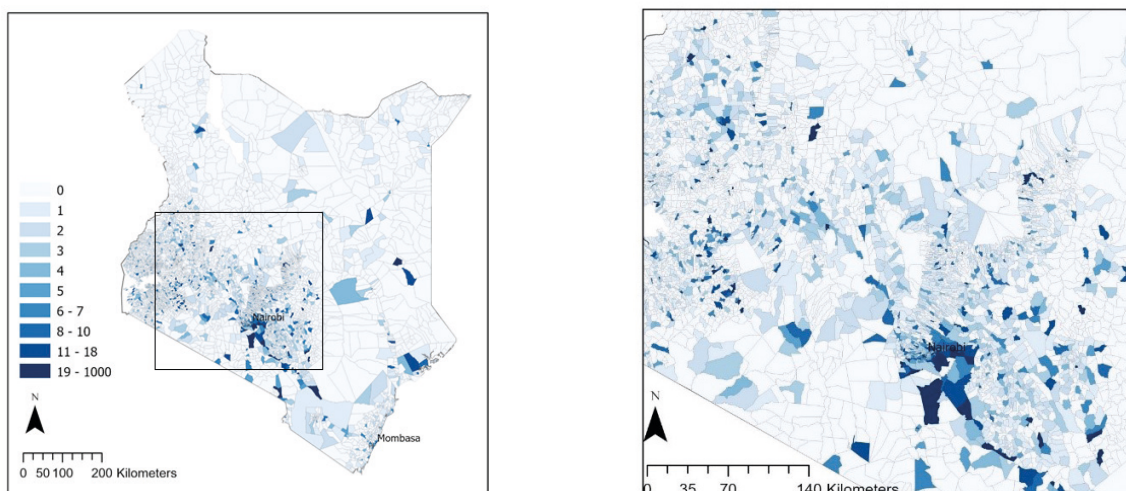

Figure 1. Agents density relative to population size in Kenya
Note: a & b) agent density, measured as number of agents per 1,000 inhabitants, for each sub-location (N=6,800) in Kenya; b) close-up of the framed area in a, to enhance visualization of the large number of very small sub-locations in that area. Population sizes are retrieved from the 2019 KNBS population census. The number of agents per sub-location is caluclated in ArcGIS Pro, based on the 2015 FinAccess Geospatial Mapping. Source: Johnen et al., 2023.

However, despite the recognition of the pivotal role played by mobile money agents, there remains a knowledge gap regarding the specific agent characteristics that influence mobile money adoption. This policy brief aims to shed light on the findings of a recent study that investigated the association between agent characteristics and mobile money adoption. The study identified two critical agent characteristics, namely the provision of account opening services and agent training, and their positive impact on mobile money adoption. Building on these findings, this brief provides recommendations to policymakers on leveraging agent characteristics to further enhance mobile money adoption rates, especially among populations with low education levels.

By understanding and leveraging the specific characteristics of mobile money agents, policymakers can develop targeted interventions and strategies to promote adoption, strengthen financial inclusion, and unlock the potential benefits of mobile money for people, communities, and economies at large.

Key findings

1. Account opening services: The study found a strong positive association between account opening services offered by mobile money agents and mobile money adoption. Increasing the share of agents who provide account opening services will most likely boost mobile money adoption rates and serve as a crucial risk management instrument in the Global South.

2. Agent training: Agent training was identified as an important factor in mobile money adoption as well, particularly for people without formal education. The study found that people without formal education were significantly more likely to adopt mobile money when nearby agents had received training. Formal training had a larger effect size, ranging from 10 to 14 percentage points. However, only 58 percent of agents had received formal training, indicating a significant potential to increase adoption rates among people with low education levels.

Limitations and future research

1. In-depth evaluation of training quality: Future studies should delve deeper into the quality and content of agent training to identify the specific mechanisms that make certain forms of training more successful than others. This will enable policymakers to fine-tune training programs and maximize their impact on mobile money adoption.

2. Causal claims and experimental research: While the study establishes important associations between agent characteristics and mobile money adoption, future research should employ experimental or quasi-experimental approaches to establish causal relationships. This will provide more robust evidence on the effects of agent characteristics on adoption rates.

3. Contextual considerations: The study focused on mobile money adoption in Kenya, and caution should be exercised when transferring the results to other countries. Socio-cultural, political, and contextual differences need to be taken into account. Future research should explore the role of agents in other countries to gain a broader understanding of their impact on mobile money adoption.

4. Replication through agent outlet data: Future research should replicate the findings of this study by analyzing agent outlet data, specifically examining the number of registrations conducted by agents in relation to their characteristics and the socio-economic variables of surrounding households. This will provide additional insights into the relationship between agent characteristics and adoption rates.

Recommendations

1. Enhancing account opening services: Policymakers should focus on strategies to increase the number of mobile money agents offering account opening services. This could be achieved through targeted training programs or incentives for agents to provide this service. Additionally, efforts should be made to streamline and simplify the account opening process, ensuring it is accessible and user-friendly.

2. Expanding agent training: To promote mobile money adoption among people with low education levels, policymakers should prioritize agent training programs. These programs should focus on providing comprehensive and formal training, covering various aspects of mobile money services, risk management, and customer support. Collaboration with mobile network operators and relevant stakeholders can help facilitate the delivery of effective training programs.

Conclusion

The findings of this study highlight the importance of agent characteristics in driving mobile money adoption. By expanding account opening services and improving agent training, policymakers can enhance the adoption rates of mobile money, particularly among people with low education levels. However, further research is needed to explore training quality, establish causal relationships, account for contextual differences, and replicate the findings using agent outlet data. By addressing these research gaps and implementing the recommended strategies, policymakers can promote financial inclusion and leverage the potential of mobile money as a tool for economic empowerment and risk management in the Global South.

Further reading: Johnen, C., Parlasca, M., & Mußhoff, O. (2023). Mobile money adoption in Kenya: The role of mobile money agents. Technological Forecasting and Social Change, 191, 122503.

Authors:

Martin Parlasca
Center for Development Resarch / University of Bonn
parlasca@uni-bonn.de

Constantin Johnen
University of Göttingen
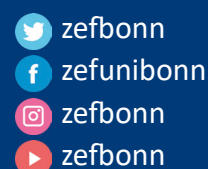constantin.johnen@uni-goettingen.de

Oliver Mußhoff
University of Göttingen
oliver.musshoff@agr.uni-goettingen.de

zefbonn
zefunibonn
zefbonn
zefbonn
www.zef.de