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# The Mobile Phone as the Tool to Redefine Savings for the Poor: Evidence from Kenya






Tonny K. Omwansa , Timothy M. Waema, Charlene Chen & Nicholas P. Sullivan

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## Abstract

Research conducted on the poor and their finances indicate that there is a need to develop financial instruments that specifically fit their needs. However, banks have not been able to provide such services, because the returns do not justify the cost of delivering them. The uptake of mobile phones and mobile money (in various guises) in recent years has been tremendous and widely documented. While the basic product is person-to-person money transfer, more sophisticated financial products designed for the poor are now coming on line. This article describes the experience of Kickstart in Kenya designing, piloting, deploying and sustaining a mobile phone savings application, leveraging the widely popular M-PESA money transfer service to target poor, small-scale farmers. KickStart, a non-profit organization headquartered in Kenya, designed a 'Mobile Layaway' service that enables farmers to make mobile payments of any amount and of any frequency to purchase human-powered irrigation pumps. The

specific goal is to help farmers amass a lumpsum for a major equipment purchase (foot-pedaled water pump). After the pilot, the flexible and targeted mobile-layaway program recorded over 95% success rate, with most farmers saving faster than they expected, giving a lot of hope that such saving tools can actually provide a safer, more secure, and more effective way to save for products and services. In addition, more women were able to buy water pumps than without the savings program. This article suggests that the success of Kickstart's Mobile Layaway provides a template for other similar products targeting the base of the pyramid, and draws lessons from the Kickstart pilot that may prove valuable for other mobile-money firms and financial service providers. The paper also presents two lessons learned in the design and implementation of the mobile money product; that iterative mobile money product design is critical for success and that simple solutions do overcome the issue of mistrust. It also makes some conclusions and recommendations for further research work.

Keywords:

Mobile Money

Layaway

Bottom of the Pyramid

## Notes

1. See publication of the Financial Services for the Poor on Savings at <http://www.gatesfoundation.org/financialservicesforthe poor/Documents/savings-statistics-financial-services-for-the-poor.pdf>.
2. KickStart-authorized dealers are primarily private sector 'agrovets' or hardware shops that already sell farm inputs such as seeds, fertilizer, and pesticide to small-holder farmers.

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