Mobile Payments: A Comparison between Philippine and Ugandan Contexts

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Abstract: This paper maintains that mobile phone payments present a significant opportunity to integrate more users within Uganda’s financial system. Besides enabling services that can improve the performance of small businesses, mobile payments afford an opportunity to integrate more users within the traditional banking system at reasonable cost. In order to evolve a successful model and realise these benefits, Uganda can learn from the Philippines, a developing country with arguably the most successful and widespread use of mobile payments in the world. Action areas include reviewing the national policy and legal environment, building capacity and collaboration amongst multiple regulatory agencies, and the need to be accommodative of as many stakeholders as possible. This will create a truly national system that can leverage the projected growth of the mobile phone market and bring benefits to the general population.

Keywords: Mobile phones, ICTs for development, small business, banking.

1. Introduction

There is significant enthusiasm about the growing adoption of mobile phones in the developing world and their potential beyond people's inherent desire to communicate. Evidence suggests that mobile phones are creating new income opportunities for the marginalized social segments in developing countries \cite{1, 2}. While mobile phone penetration is still higher in developed countries, biggest growth is expected in developing countries where mobile phones are substituting non-existent or derelict fixed line systems \cite{3}.

A recent survey of 3,967 small businesses across 14 countries in Africa indicates that mobile phones have become the de facto instrument for creating and exchanging information for small businesses in Africa. Although only 83.3\% of the surveyed business operators owned a mobile phone, 95.6\% of all business operators rated mobile phones as either important or very important for their business operations \cite{4}. An application area gaining increasing attention is the facilitation and growth of mobile commerce by enabling financial transactions via mobile payments \cite{5}. Anecdotal evidence indicates that mobile phones help improve incomes for the poor by correcting information asymmetries in the market, eliminating unnecessary transportation as well as transaction costs. But cash payments are still the predominant means of settling transactions \cite{4}. Financial tools like cheques, debit cards, and electronic payment transactions are still in the provenience of big companies, government departments, and well-off individuals. On the other hand, m-payments can be leveraged as a way to bring-in many people that are outside of the traditional banking system. In retrospect, successful mobile payments are a prerequisite for successful mobile commerce in the developing world.
The paper is organized in five sections, including the Introduction. The fundamental concepts relating to the use of mobile phones are explained in the Background, which provides an extensive overview of mobile phone penetration in Uganda along with its rationale. Next section describes mobile payments in Philippines, the institutions involved along with the relationships amongst them. The section offers a detailed description of the two dominant mobile payment services, their cost matrix, and the contextual policy and regulatory environment. The reasons behind arguments that mobile payments have a very promising future in Uganda are dealt with in the fourth section. The large and versatile base of stakeholders, the win-win situation that includes not only the mobile phone users, but also banks, mobile operators and other players. The whole financial system stands to gain from the proliferation of what may be the beginning of non-cash solutions. This section also touches on the policies and regulations from the Ugandan perspective, underscoring the need for coordinated and harmonized actions by all of the stakeholders in order to make it work. The conclusion asserts that the potential for success of the Uganda’s mobile payment model is realistic and may actually extend what has already been done in the Philippines considering the continuous growth of the mobile phone market and what it brings to the general population.

2. Background

Mobile payments (or m-payments) are financial transactions consummated by users through the help of mobile devices, which in our context refers to the growing number of mobile phones. Mobile payments can be a subset of mobile banking (or m-banking), which refers to accessing various banking services via mobile devices, in which case m-payments may be one of many services provided by a financial institution. Mobile commerce (or m-commerce) on the other hand, refers to monetary transactions conducted and facilitated via mobile networks [6]. All of the above are considered subsets of their electronic counterparts i.e. m-payments are a subset of electronic payments (e-payments), m-banking is a subset of electronic banking (e-banking) and m-commerce is a subset of electronic commerce (e-commerce). The distinction is their reliance on mobility.

2.1 – Mobile phones in Uganda

After liberalization of the telecommunications sector to attract foreign investment, the first mobile phone network, operated by Celtel, went live in Uganda during December 1994. Interestingly, this was just two months after Globe, the first GSM network started in the Philippines. In Uganda, the potential subscriber base was grossly underestimated at about 10,000 users. As a result, the marketing campaigns targeted the rich and charges were rather high. At its peak, Celtel had reached 12,000 subscribers in October 1998, when MTN launched on the market, dramatically changing the dynamics of the telecommunications market.

Uganda was the first country on the African continent, where the number of mobile phone users surpassed those using fixed telephone lines in December of 1999. Mobile network operators have since increased, with UTL (privatised former government telecommunications monopoly) launching a mobile network in 2001. Hits Telecom and Warid Telecom were also licensed in 2007, bringing the number of mobile operators to five. At the end of 2006, there were 2,697,616 mobile phone subscribers as highlighted in Table 1 compared to 108,140 fixed line users, with 80% of the population covered by the mobile signal.

Table 1: Some comparative statistics for mobile phone subscriptions in Uganda from 2001-2006

1 Subscriber statistics from Uganda Communications Commission (www.ucc.co.ug), the national telecommunications regulator
<table>
<thead>
<tr>
<th>Year</th>
<th>Population (millions)</th>
<th>GDP (Ugx)</th>
<th>Mobile customers</th>
<th>Mobile lines per 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 (Dec)</td>
<td>23,310,100</td>
<td>9,399,801</td>
<td>236,034</td>
<td>1.01</td>
</tr>
<tr>
<td>2002 (Dec)</td>
<td>24,068,800</td>
<td>9,840,586</td>
<td>505,627</td>
<td>2.10</td>
</tr>
<tr>
<td>2003 (Dec)</td>
<td>24,850,700</td>
<td>10,480,183</td>
<td>777,563</td>
<td>3.13</td>
</tr>
<tr>
<td>2004 (Dec)</td>
<td>25,659,500</td>
<td>11,061,748</td>
<td>1,165,035</td>
<td>4.54</td>
</tr>
<tr>
<td>2005 (Dec)</td>
<td>26,494,600</td>
<td>11,754,021</td>
<td>1,525,125</td>
<td>5.76</td>
</tr>
<tr>
<td>2006 (Dec)</td>
<td>27,356,900</td>
<td>12,576,802</td>
<td>2,697,616</td>
<td>9.86</td>
</tr>
<tr>
<td>2007 (Sept)</td>
<td>—</td>
<td>—</td>
<td>4,195,278</td>
<td>15.45</td>
</tr>
</tbody>
</table>

Source: Uganda Communications Commission, 2008

Many factors have contributed to the success of mobile phones in Uganda, beyond the non-existent fixed line systems. Perhaps most important of these has been the use of prepaid access to services. In the beginning, operators turned to prepaid services because they lacked mechanisms to evaluate credit worthiness of subscribers for post-paid services. Prepaid services have flourished because they are sensitive to users' income patterns and eliminate paperwork. A new customer walks into a shop and buys a start-up package that includes a mobile phone and SIM card with some minimal airtime or credit and they are connected [7]. A burgeoning market for used mobile phones has since developed, reducing the cost of joining the “connected”. Handsets traded-in or exchanged for new ones in developed countries with GSM networks usually end up on the market in developing countries. As a result, more users do not have to buy new phones to join the networks and operators have evolved to keep up by selling SIM-packs. One can now easily buy SIM cards from vendors on the street. A variety of informal businesses have sprung up to support the growing number of mobile phone users ranging from battery charging kiosks, accessories to mobile phone repair shops [8].

In Uganda, like many other developing countries, the billing model is based on call origination, which allows users better control of their costs. This might also explain unique habits like “beeping” or “flashing” [9] that might seem peculiar in other places. In the beginning, when operators charged a recurrent fee as service charge to use their network, many subscribers would just pay the service fee but never buy any airtime. Now days, service charges are implicitly built into airtime, the more airtime a customer buys, the longer their duration of “free” access to the network.

### 2.2 Payment systems in Uganda

In a bid to improve the payment system and reduce cash transactions, Bank of Uganda\(^2\) formed a dedicated unit, the National Payment System Secretariat (NPSS) to guide the transition way back in 1998 [10]. Some of the accomplished projects include the electronic cheque clearing system—allowing commercial banks to process and clear customer cheques automatically, electronic funds transfer (EFT)—allowing commercial banks, government departments and large companies to effect electronic payments and the Uganda National Inter-bank Settlement (UNIS) system—a real time gross transfer (RTGS) system that handles large payments. With effect from July 2007, Bank of Uganda set a cheque limit

\(^2\) Bank of Uganda (www.bou.or.ug) is the central bank of Uganda and is responsible for oversight of the financial sector
of Ugx 20,000,000. Cheques exceeding this value are prohibited; customers can instead use electronic fund transfers or the real time gross transfer (RTGS) system to effect payments.

It is clearly apparent from the amounts of money and type of players involved that current electronic payment systems only serve the needs of the banked minority. The majority of people still lack a viable electronic payment system that can accommodate low transaction values of money, sustain high transaction volumes at low costs, but still provide the required convenience, security and speed. Mobile phone payments can help address this gap adequately.

The Philippines provides an example of what a flexible and innovation-accommodating regulatory environment can achieve. Users in the Philippines can already purchase airtime or credit, make money transfers, pay recurrent utility bills, make purchases and in some instances interact with their bank accounts using their mobile phones [11]. Being a developing nation, the Philippines context provides a good learning ground for Uganda that we explore in the next section.

3. Mobile payments in the Philippines

The Philippines provides examples of relatively successful models that are likely to be applicable to Africa given the similarities between the two contexts. There are two widespread mobile payment offerings offered by the main mobile telecommunication operators—SmartMoney from Smart Communications (Smart)3 and Globe cash (G-Cash) from Globe telecom (Globe)4. Globe was the first player in the GSM market launching their network in October 1994, with Smart following much later in April 1999 [12]. Given that Globe launched first, they had the first mover advantages as far as subscribers were concerned forcing Smart to come up with novel services in order to attract customers. SmartMoney launched in 2000 was one premier service meant to attract customers. To counter SmartMoney, Globe entered the market with G-Cash later in 2004. To date, Smart has an estimated GSM subscriber base of 25 million users and 2.5 million users of their SmartMoney services, while Globe has an estimated GSM subscriber base of 15.7 million users and 500,000 users of their G-Cash services. Close scrutiny can provide a good basis for formulation of new models that maybe more appropriate for the African context.

3.1– Institutional relationships

Mobile payments systems require multi-institutional cooperation and interplay between different regulators. SmartMoney is based on a partnership between Smart and Banco de Oro (BDO)5. This allows each partner to handle aspects relating to their domain of expertise, while both partners do marketing. Globe, on the other hand took a different route. They created a subsidiary—G-Xchange, regulated by the financial regulator, to deal with the financial aspects of their solution.

Who dominates this relationship will tend to determine the kind of business model that emerges [5, 12, 13]. At one extreme, the network operator can dominate or own the whole value-chain. The resulting business model may be open to more banking institutions, but will almost certainly exclude other network operators. G-Cash represents such an example with Globe owning the whole value-chain. On the opposite side, when the banking institution dominates, the resulting model tends to be more open to other network operators, but less for banking institutions. The middle ground may involve a partnership of almost equal responsibility by both partners as in the case of SmartMoney or even an independent

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5 Banco de Oro Universal Bank ([www.bdo.com.ph](http://www.bdo.com.ph)) is one of the largest banks in the Philippines, ranked fifth in terms of assets at the end of 2006 based on Philippines banking industry data
third party. Both G-Cash and SmartMoney are restricted to their network subscribers, but work with multiple banking institutions, although G-Cash's partner and agent network appears to be much bigger. Involving banking institutions will certainly make it much easier to integrate with other existing payment systems that do exist within a country as the SmartMoney solution clearly indicates. It also provides an avenue to access other bank-related services, helping to build a bridge to mobile banking. Conversely, when tightly coupled with banking requirements like the need for accounts, this might hinder reaching out to the masses of unbanked users that developing governments would like to serve.

3.2 Services and costs

Both SmartMoney and G-Cash allow registered users to upload money onto (“Cash-In”) or withdraw money from (“Cash-Out”) their phones over-the-counter at various outlets. In case of SmartMoney, where a user may link to a bank account and have a cash card, they can then transfer money between their account and phone. G-Cash is now also collaborating with some banks to allow bank customers who are also Globe customers to “Cash-In” via their ATMs. “Cash-In/Cash-Out” services are the most used transactions on both solutions because they provide the backbone for most of the other services. There are limitations relating to the amount of money that a user can have on their mobile at any time and hence use for transactions. For G-Cash this is currently Php 10,000. Once money is on the phone, then a user can make a variety of payments. Some of these include:

- Buying airtime or credit—for your own mobile phone or that of a friend remotely. The service allows users to buy airtime in very small denominations, from as low as Php 25 to as much as Php 500. This service is free or very cheap (Globe charges Php 1 per transaction).

- Money transfers—entail users transferring money from their own phones to other users’ phones, normally within the same network (also referred to as person-to-person or P2P transfers). Recipients can then cash-out at participating vendors or keep the money on their phone for future use. Both cash-in/cash-out transactions attract processing fees and a limit of Php 10,000 is allowed per transaction. Non-subscribers can pay to send money to phones at participating centres as can the legion of Overseas Foreign Workers (OFWs) whose remittances back home sustain their families and are a backbone of the Philippine economy.

- Purchases—at participating merchants are offered by both solutions. Transactions initiated via the merchant’s Point of Sale (system) send an SMS to a user’s phone that can be paid via the phone in the cash of G-Cash or could be settled by cash card in the case of SmartMoney. Both support online transaction, although G-cash’s reach is rather limited compared to SmartMoney with a global reach thanks to leverage of the worldwide MasterCard network.

- Bills payment—for recurrent bills like utilities, tuition, etc. In essence, these are similar to P2P transfers, except that the recipient is an institution. Some institutions currently using this include telephone companies, water utilities, TV/Cable companies, insurance companies and Internet service providers.

- Interacting with banks—both services provide a variety of ways to interact with banks. For example users can initiate P2P transfers from bank ATMs. SmartMoney users could operate an account and virtually access the full range of banking services via mobile phones through Banco de Oro. G-cash on the other hand has had to be more innovative in interacting with banks, coming up with a range of novel services. Working in conjunction with the Rural Bankers Association of the Philippines (RBAP), G-cash has developed
• “Text-A-Payment”—allows micro-entrepreneurs make payments to service their microfinance loans via their mobile phones
• “Text-A-Deposit”—allows micro-entrepreneurs to deposit money onto their personal or business savings accounts via their mobile phone
• “Text-A-Withdrawal”—still under scrutiny by the regulator will allow micro-entrepreneurs make to make withdrawals from their bank account via mobile phone

3.3– User interfaces and security

Both G-cash and SmartMoney rely on SMS. G-cash publishes a list of keywords that users need to type to accomplish various transactions, while SmartMoney leverages a SIM-based menu to guide users through various transactions. While many of the keywords selected by G-cash are intuitive, it is the responsibility of the user to remember mnemonics. SIM-based menus on the other hand try to mask this complexity by helping the user craft a message with the right keywords. The resulting SMS can be presented to the user for confirmation purposes before submission to the system for processing, but SmartMoney has opted to skip this step. Either method provides design challenges owing to the limited screen and the growing number of functionalities.

For security, both solutions rely on the use of a Personal Identification Number (PIN) for transaction authentication. In SmartMoney, the mobile phone is coupled with a Cash Card that may be used to withdraw money via ATMs or pay for purchases, thus there is also PIN associated with the card, just like typical ATM PINs. In compliance with regular banking norms, the card PIN is sent via postal mail to the user separately, while the Wireless-PIN or Mobile-PIN can be set over the air using the mobile phone. Neither solution seems to offer much security in the event that a user mobile phone is stolen and used by fraudsters able to figure out the user's Mobile-PIN or Wireless-PIN, just like banks can not offer much protection to users when ATM cards are stolen and used by unscrupulous people who manage to crack their PINs. A user's best bet is to report a stolen mobile phone as soon as possible and request for it to be blocked for use in any transactions. Since a phone number is tied to most transactions, using mobile payments currently lacks the anonymity that comes with the use of cash.

3.4– Policy and regulation

The Central Bank of the Philippines or Bangko Sentral ng Pilipinas (BSP) regulates electronic transactions as part of its mandate. BSP has had to balance its desire to extend banking services to its un-served and underserved rural populations with the need to maintain oversight and control to ensure that new solutions meet the stringent requirements and do not exploit the disadvantaged. To increase their capacity to regulate the electronic financial environment, they formed a Core Information Technology Supervisory Group (CITSG) [13].

BSP provides guidelines for electronic financial transactions, which evolve around issues of Technology Risk Management [14] and Consumer Protection for Electronic Banking [15]. Technology risk management involves ensuring the financial institutions have the requisite capacity to appreciate and manage the risks that emerge from deploying technologies to serve their customers. Emphasis is placed on planning, implementation as well as monitoring to help financial institutions integrate their technology-related risks into their overall risk management strategy. Consumer protection on the other hand focuses on safeguarding customer information, legal aspects of enforcing electronic transactions and agreements, while addressing Anti-Money Laundering and Combating Financing of
Terrorism (AML/CFT) issues. These set of guidelines provide a good starting point for regulators in Africa pondering how to deal with potential solutions.

BSP has had to come up with different measures to ensure that the proposed services meet their aims without stifling innovation. For example, they have set caps for mobile phone transactions at Php 40,000 per day and Php 100,000 per month. Certain transactions like making deposits from a mobile phone into a bank account can only be provided in conjunction with banks in order to comply with current policy on maintaining the confidentiality of user deposits.

4. Why mobile payments can succeed in Uganda

4.1 – Technology and services

One of the biggest advantages of making a fully-fledged mobile payment system in Uganda is the fact that the mobile networks (covering over 80% of the population) and phones are already in place. New infrastructural investment may come in the form of novel point of sale systems, where the use of mobile phones is undesirable and creating a clearinghouse for participating entities to settle their balances, something akin to or even an extension of the current clearinghouse managed by Bank of Uganda. As the Philippines case study clearly depicts, Uganda can build a debit card like kind of system from scratch, all without prohibitive investments in new infrastructure.

Many of the current services available via mobile payments in the Philippines are relevant to the context in Uganda. Consider buying airtime or credit for example, mobile operators have also discovered that it is good business to make airtime available to subscribers in smaller denominations. Until about two years ago, the smallest airtime denomination a subscriber could buy was Ugx 5,000. Users would buy airtime in bigger denominations and then share it amongst themselves using variations of “Me2U” services that allow subscribers to exchange airtime. Now, they can buy airtime for as little as Ugx 2,000. Paying for airtime or credit using mobile payments will reduce transaction costs for operators and enable them to sell in more flexible amounts, while providing convenience to mobile phone users by allowing them more control over their calling and spending patterns.

Ugandans are already experimenting with various ways of using mobile phone airtime as an alternative to cash or to transfer money over long distances given the high cost of local remittance services. Urban dwellers have social networks that allow them to send money to relatives in rural areas using “Me2U,” an airtime transfer mechanism. Of late, remittances from family members living abroad can be made using airtime as a way to transfer money across national borders using “Web2U.” Such examples highlight the dire need of more convenient and cheaper avenues to exchange money.

The simplicity of the costing mechanism of various mobile payment services in the Philippines is another aspect to emulate. For example, G-Cash charges a flat processing fee of Php 10 for cash-in/cash-out transactions for amounts below Php 1,000 and 1% for amounts between Php 1,000 and the maximum Php 10,000. Compare this to the normal costing structure of remittances services and it’s easy to see why it’s a hit with users.

4.2 – Economic and institutional relationships

A well-designed mobile payments solution has the potential to benefit all interested stakeholders. Network operators will increase traffic on their networks and hence profits from usage fees. Banking institutions get opportunity to service a larger population, many

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6 All existing networks in Uganda allow users to exchange airtime amongst subscribers within the same network using sms. This generates more traffic and hence revenue for the networks.
of whom were unreachable before because the costs of serving them exceed expected return on investment. Mobile phone users already outstrip an estimated 1.5 to two million bank account holders\(^7\), and are projected to grow even faster in the foreseeable future. Merchants and sellers reduce risks arising from handling cash, eliminate the need to pay change since buyers can pay in exact amounts and open up the potential to receive remote payments.

There is a sprawling network of phone kiosks and airtime vendors across the country providing a natural linkage and wider network to reach more people. While mobile payments would provide such vendors with another avenue for more revenue, their role in a vital financial network requires legal and regulatory scrutiny \[16\]. For end users, besides benefits similar to merchants, the convenience of transacting and cheaper cost of easily transferring money between people would be a phenomenal welcome. Uganda gets an opportunity to include more people marginalized by current non-cash solutions, spur more economic activity and hopefully positive development.

As the two contrasting models from the Philippines clearly highlight, an ideal model should encourage competition without excluding other institutional players within a particular sector. For example the service should not be tied to only users of a particular mobile network or banking institution.

### 4.3– Policy and regulatory implications

For mobile phone payments to work successfully, multiple stakeholders with varying interests need to work together. These may include banking institutions, telecommunications operators, payment processors, regulatory agencies, government departments, the private sector, etc. As a result there is a need for high-level guidance in form of a national strategy within which various players may interact to offer truly transformational payment systems. In addition, the myriad of laws and regulations that relate to financial institutions on one-hand and telecommunications operators on the other need to be scrutinized and synchronized to enable successful implementation of mobile phone payments within the context of Uganda. Pertinent legislation may include:

- **Financial Institutions Act (2004)**—which governs the licensing, operation and supervision of financial institutions by the Bank of Uganda \[17\]
- **Bank of Uganda Statute (1993)**—An updated version of 1966 statute that established Bank of Uganda, giving it autonomy to formulate and execute the monetary policy of Uganda \[18\]
- **Uganda Communications Act (1997)**—which established and guides the regulatory activities of the Uganda Communication Commission \[19\]
- **Microfinance Deposit-Taking Institution Act (2003)**—that regulates microfinance activities in various financial institutions \[20\]
- **The Bill of Exchange Act, CAP 76**—which governs the bill of exchange transactions

Government has already moved to aggregate disparate elements of ICT together under the Ministry of Information and Communications Technology, increasing the profile of ICT. Content related to ICT has begun to emerge in national planning documents like Vision 2035 (the planned successor to Vision 2025) and the Poverty Eradication Action Programme (PEAP) \[21, 22\].

The Philippines case study signifies the need of a progressive approach from the various regulators. There is need to look beyond all the potential problems that may arise and instead focus on the potential that can be generated. Besides harmonizing their activities, regulators need to build up their institutional capacity to be able to keep pace with social, technological and economic changes. A gradual approach to approving new services

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\(^7\) There is no accurate figure of actual number of bank account holders because banks guard this information jealously and are not required to submit it to the regulator.
starting from simple transactions i.e. limited person-to-person money transfers towards more complex transactions that affect bank accounts as adopted by the Philippines regulators seems rather ideal. Besides enabling users to increasingly build up trust of different services, it allows operators to build up experience and capacity with time, while the regulators get an opportunity to study services, analyse evolving risks and enforce the necessary adjustments required to protect users in a dynamic environment.

Many of the current business models, dominated by either network operators or banking institutions, tend to lock out the competition. Open business models are needed to accommodate multiple stakeholders and create a truly nationwide solution. Beyond the regulatory hurdles, the diversity of stakeholders (telecommunication platforms, interfaces) is yet another challenge, which may necessitate third party institutions.

Cash payments dominate because of their convenience and reliability over other payment methods [4]. Creating awareness of other payment systems and user trust will require massive investment in sensitisation and advocacy programmes. Potential stakeholders like financial institutions and network operators are afraid of jeopardizing their existing customer bases. Their fears need to be addressed, along with the potential of the large commercial entities like utility providers UMEME, National Water and Sewerage Corporation to create buy-in for mass user adoption of mobile payments. A similar approach has resulted in the success of mobile payment solutions in the Philippines.

5. Conclusions

Successful mobile payments have the potential to revolutionise payment systems in Uganda and hence transform the way small businesses operate. In addition, they can provide services for the financial needs of many poor people in distant rural areas more economically. The Philippines provides a good example of what a flexible and innovation-accommodating regulatory environment can achieve. Many poor people in the Philippines can already transfer money and make purchases using their mobile phones. More advanced services like bill and salary payments are already operational, as mobile phones get more integrated into the financial landscape of the Philippines [11].

Besides creating an enabling regulatory environment, there is need to experiment with business models to identify an appropriate one that can accommodate multiple players, even competitors from the same sector. There are still some open questions. Many existing business models link a specific user to a specific phone number or SIM card, but shared mobile phone access is still a prevalent phenomena in Uganda and other developing countries. What obstacles will phone sharing impose and how can we accommodate these? How can we facilitate more people to acquire mobile phones and hence increase the potential customer pool for m-commerce?

While the bulk of this discussion has been framed within the context of Uganda and the Philippines, it is equally applicable to many developing countries. In many of these, the telecommunications sector is growing rapidly thanks to increasing liberalisation. The cost of owning a mobile phone and accessing services is falling due to increased competition amongst the growing number of operators. Operator profits are in millions of dollars, but these are currently driven by voice traffic. With a successful mobile payments model, we can provide a breeding ground for more innovative mobile phone applications that respond to the needs of small businesses in various sectors. For example, many small businesses have problems accessing credit partly due to poor record keeping. Mobile payments can generate a trail of transactions that may be used to create appropriate business records. It’s not far-fetched to imagine accounting and bookkeeping running on mobile phones.

Governments have noticed the potential of the mobile phone explosion. Unfortunately, many react by increasing taxes on mobile services, since operators provide an easy avenue to collect such taxes. While operator competition is driving prices down, taxation increases
service costs passed onto subscribers, stifling growth of the subscriber base and limiting the potential impact that mobile phones can have in connecting people. While a few governments are dabbling in electronic governance, not many have explored the potential of mobile phones as a conduit for better service delivery to their people.

The number of mobile phone users in the developing world is projected to increase. In Uganda’s case, the number of users is projected to reach 13.6% of the population in the first quarter of 2008 [11]. Taking into account the potential of the mobile phone in relation to mobile payments in Uganda and other parts of the developing world, it is high time all stakeholders ignore their own individual interests and work together to make this a reality.

References