



STERLING CAPITAL LIMITED

Wednesday, 23 December 2020

Safaricom cuts low value M-Pesa fees in CBK deal

- Safaricom has cut low value M-Pesa transaction fees by up to 45% in line with a deal agreed with CBK that ended free mobile phone money transactions of up to KES.1,000.
- Starting 1st January 2021, it will cost KES.6 to send between KES.101 and KES.500, down from KES.11 whereas transactions between KES.1,501 and KES.2,500 will cost KES.32 down from KES.41.
- The reduction cuts across the board with those sending between KES.50,001 and KES.150,000 now paying KES.105, down from KES.300.
- The telco is betting on volumes that will affect more than 90% of customer transactions to cover for the low fees.
- The waiver of charges on M-Pesa transactions cost the telco giant KES.9Bn in the six months to June, which saw the firm report a 6% drop in net profit to KES.33.07Bn.
- Since the waiver was introduced, the monthly volume of person-to-person transactions increased by 87% between February and October 2020.
- Over this period, the volume of transactions below KES.1,000 increased by 114% while 2.8Mn additional customers are using mobile money.
- All transactions of KES.100 and below will remain free and all M-PESA customers will continue to enjoy free mobile money services between M-Pesa and bank accounts.
- The reduced tariffs will equally apply to transactions for micro-businesses under Pochi La Biashara service and for Lipa Na M-Pesa businesses using the transacting till to make payments.
- M-Pesa accounts will still be able to hold up to KES.300,000 with limits of KES.150,000 per transaction.

Our View

- **With the reduced tariffs on mobile money transfers, transaction volumes are likely to remain high as the economy continues to reopen.**
- M-PESA has proved to be an effective business line for Safaricom posting a 5-year CAGR of 20.9% while creating strong customer loyalty.
- M-Pesa revenues declined 14.5% HY21 to KES.35.9Bn as a result of waiver of fees on person to person (P2P) transfers below KES.1,000 and transfers to/from M-Pesa wallets to banks. We expect the re-instated charges to boost M-Pesa revenues in the coming year.
- Safaricom is still extremely dominant when it comes to Kenya's mobile money market, with almost 99% market share. The re-instated charges will therefore not derail this story.

Source: Business Daily and Sterling Research