The Disruptive Influence of Mobile Money on Zambia's Traditional Banking Landscape

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ABSTRACT
Mobile banking in Zambia has created a new form of electronic banking that is aggressively competing with traditional banking. This article explores the disruptive influence of mobile money on Zambia's traditional banking landscape by reviewing literature by different authors on the same or similar subject. The research is a pure desktop design and makes use of reports, journal articles and online sources that are relevant to the research title. The findings have shown that mobile money has a huge influence on the traditional banking landscape especially that it has emerged has the most growing financial services sector in Zambia. The findings also show that there is disruptive influence of Mobile Money on traditional banking, and this forces a huge shift in the banking landscape in Zambia. While the retail banking numbers are decreasing as evidenced by the closeness of commercial bank branches across the country. Commercial banks are opting for digital banking services as opposed to brick-and-mortar operations. While digital platforms for banks seem to reduce cost and increase efficiency, mobile money services at the same time seem to experience exponential growth. This study brings out new knowledge in that it provides measures for the influence of mobile money on traditional banking and allows the innovation of banking strategies that integrates E-Banking services with workable traditional banking methods.

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Introduction

Digital technologies have disrupted many business processes in different sectors of Zambia's economy. According to the International Telecommunications Union (ITU), the country's internet penetration rate has increased from 6.5% in 2010 to 18.2% in 2020 and currently stands at 21.2% in 2023 (ITU, 2023). The increase in internet use implies that the country is experiencing a shift from traditional business process to digital processes. Developers of digital platforms are becoming more innovative. The development of mobile Apps in Zambia has drastically increased, and this places huge demand on business usage.

Zambia has a total number of seventeen (17) commercial banks doted across the country (Bank of Zambia, 2023), the observable trend in recent times is that a number of these banks are closing on their branches and instead opting for internet banking services. Digitisation has caused massive transformation on the banking services in Zambia (Haabazoka, 2018). The transformation in the banking sector is largely a response from the growth of competing services such as mobile money introduced in Zambia in 2001, when Celpay was launched by ZAMTEL (ZECHL, 2019).

The disruptive influence of Mobile money on Zambia's traditional banking landscape is an interesting subject to study as this enables banks and financial services institutions to formulate strategies for sustainability. This study focuses on the disruptive influence of mobile money on traditional banking landscape and brings out findings that fully measure the influence of mobile money in the banking sector.

Methodology

This article is based on a desktop review as it was based on scouring through already published articles, reports, and other scholarly materials by other authors on the same or similar topic, with a focus to create a new dimension to the study. Methods of data collection included using Google search and analytics to obtain latest information from reports related to the subject area. The researchers also relied largely on specific informational sites such as the Bank of Zambia website, the World bank website and the ZCTA website.

Despite its efficiency and cost-effectiveness, desktop research has drawbacks, including the need for careful interpretation to prevent misinterpretation, reliance on possibly biassed or obsolete data, and a restricted depth of analysis. The researcher in this case depended on authentic reports from institutions such as the Bank of Zambia, The World Bank and the International Monetary Fund that are authorities in economic data. The reliability and validity of the data used was verified against real industry reports that are excepted as factors shaping economic trends.

Competitive Trends

The banking sector in Zambia has experienced stagnation growth in the last 10 years, with the sector maintaining the number of registered banks at 19 from 2013 to 2023 (Bank of Zambia, 2022). The stagnation in number of banks in the country could be as a result of regulations set by the central bank, but on the other hand the growth of banking, informal village banking and mobile money could be reducing the retail banking market. Surprisingly FinScope reports in their 2020 survey that the unbaked population in Zambia represents around 3.1 million adults which translates to 30.6% of the total banking population (FinScope, 2020). The argument then is that if the unbanked population is 30.6% of the total baking population in the country, then what metrics can be used to explain the decline in retail banking and the increase in mobile banking.

Zambia's economic growth depends largely on innovation in technology that brings out digital solutions such as the ones that mobile money services have been able to offer as alternatives to traditional banking. Global statistics indicate that the growth of online transactions is growing by 19% annually (Sky Quest Technologies, 2023). This growth implies that Zambia requires more investments in network infrastructure and switching services in order to stay abreast.

Digital Innovations

Digital environments always have an impact on traditional methods of conducting business transactions (Hayri & Rashmi , 2021). Business process reengineering though well-planned forces organizations to streamline their business processes. The high levels of digital innovations in Zambia have resulting into delivery of mobile Apps and money transfer channels that have impacted on the retail banking sector in terms of traffic to physical banking premises. The brick-and-mortar type of money exchange fades away faster than anticipated. In the USA as an example the retail banking has reduced by 20% as the number of online banking is increasing by 72% (UNCTAD, 2020).

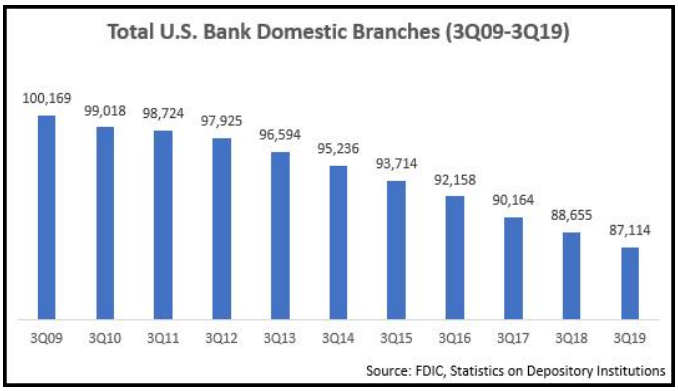

Figure 1: Retail Banking Trends in the USA - Source (Emiboston 2021)

The digital trends shown in Figure 1 in the USA are universal, in Zambia the Bank of Zambia reports that commercial bank branches declined by 2% between 2010 and 2020 (Bank of Zambia, 2023). While the number of commercial bank activities are declining, the number of mobile money operators seem to be on the rise. The digital divide is being bridged and more and more individuals are having access to technology and information (Mukosa & Mweemba, 2019). Digital awareness, particularly between 2020 and 2021 was on the rise as the world runs more virtually as a result of pandemics. This awareness pushed businesses to innovate technology for them to survive.

Mobile Money in Zambia

Mobile Money in Zambia creates an alternative banking service to traditional banking systems. They have low charge rates compared to banks, Table 1 below shows some of the differences in charges between banks and mobile money.

Table 1: Differences between Mobile money Charges and Bank Charges

Transaction	Bank Charges	Mobile Money Charges
Sending money within Zambia	ZMW 5-10 (local transfer)	ZMW 1-5 (depending on amount)
Sending money internationally	ZMW 20-50 (international transfer)	ZMW 10-20 (depending on amount and destination)
Withdrawing money	ZMW 5-10 (ATM withdrawal)	ZMW 2-5 (depending on amount and network)

Source: Based on observable prevailing rates (2023)

Scientific research by Mumba & Chowa confirms that mobile money providers in Zambia operate on volumes of transactions at a relatively lower rate than banks (Mumba & Chowa, 2023). The mobile money financial services thus are getting more popular than the traditional banking services. Telecommunication infrastructure such as communication towers are also being increased as the government has reduced taxation of telecommunications equipment and also remove Value Added Tax (VAT) for 2024 budgets (Mosokotwane, 2023). These reductions in Tax imply that mobile money service providers will now be able to expand their operations to the remote areas in Zambia.

Growth of the Mobile Money Service

Mobile money services have experienced significant growth in the last five years with competition intensifying among the three traditional competitors and other entrants. The sector is estimated to grow further 12% in the next three years according to the Economist review (The Economist, 2023). This growth is an indicator that traditional banking is under threat especially that the unbanked sector in Zambia still remains at 59% (Bank of Zambia, 2022). The mushrooming of informal money lending schemes referred to as "Village Banking" has a huge impact on traditional banking. Traditional banking will experience decline in revenue as technology advances and offers alternative banking methods.

Mobile money specifically has a disruptive influence on traditional banking. Research shows that 6 in 10 people in Zambia belong to a village banking scheme and that they have a mobile bank account on their phones (Skayi, 2020). This is a clear disruption to traditional banking and its effects are vital to understand.

The Disruptive Influence of Mobile Money

Mobile money in Zambia ranks among the top digital financial services, they have influenced retail banking consumers to opt for such services than traditional banking services. The Zambia National Commercial Bank (ZANACO) is considered to be among the most competitive retail banks offering the same service as mobile money providers. ZANACO has innovated a business model that offers extensive competition to mobile money operators.

Research shows that one of the strongest factors that is causing most individuals to opt for mobile money services is ease of use (Njele & Phiri, 2011). Mobile money services seem to cut across the literacy bridge. While traditional banking services are perceived to be more laborious and complicated mobile money services is seen to be easy and user friendly.

Mobile money services are perceived to be more accessible than banking services, they have replaced the need for waiting for a bank teller (Richmond , 2022). Richmond's observation though in Ghana seems to extrapolate to countries such as Zambia also experiencing low retail banking levels and high uptake of mobile money services.

Mobile Money a Banking System

Mobile money is a new trend in the fiancial sector, its operations have resulted in the incorporation of different forms of payment such as bills, insurance cover and health fees. The increase in the number of transactions for mobile money is an indicator that this service is a new "banking system" (Njele & Phiri, 2011). The growth in virtual business models supports the mobile money business models and this has pushed the pluralization of mobile money agents. Banking systems are associated with documentation and formalities while mobile money does not have such requirements, and this is one of the reasons why it is perceived to be easier to use.

Mobile money is perceived as financial inclusion instrument especially that it is now among the most preferred medium of exchange in Zambia (Mwange & Mwanza, 2023). The most critical aspect to discuss in line with the increase in mobile money services is whether mobile money service can increase informal business performance, according to Hassan it has tremendously increase informal business performance and this is why it stands among the most popular financial inclusion instruments (Hassan, 2023).

The influence of influence of mobile money services on traditional baking is clear in the literature reviewed in this article, it can be argued that it is the future of banking in Zambia as the sector seems to grow each year.

Alternative Innovations for Banks

Traditional banking needs to redefine their business model to survive the disruptive nature of mobile money services. In the writer's view they should be able to invest in stock markets and in the manufacturing sector so that they run a more diversified business model. In countries such as Nigeria banks are investing in government bonds and creating their own unique value chains to increase their energy base (African Business, 2024).

The diversification of banks business model will eventually create a system of banking where banks are not fully dependent interest rates, and this eventually may reduce interest rates. This will trigger a low interest rate on borrowing

and ultimately boost economic growth as borrowing for capital investment will become affordable for ordinary Zambian entrepreneurs.

Conclusion

Mobile money services can be termed as the new method of banking and money exchange, especially since they are seen to be easy to use and are more accessible than traditional banking services. The increase in mobile money agents is a clear indicator that this branch of financial services has experienced growth and that it has perhaps become one of the biggest competitors of commercial banking services. Mobile services cause disruptive influence on mobile money on the traditional banking landscape.

While the growth of mobile money services is highly significant to economic growth and it provide alternative systems for cash less transaction, it also creates high disruption for a banking system that is not innovating much for revenue generation. Economic growth among many other factors depends on the ability and affordability of capital borrowing and once systems are created to allow for this then the implication is that mobile money services will become the next biggest banking sector.

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