Digital Retail Payments in Kenya:
Making them Matter for Merchants

Public Report on Research Conducted with:

With support from:

Date: October 2014

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Digital Retail Payments in Kenya: Making them Matter for Merchants

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Introduction

How can we crack the nut of converting retail payments to digital form in Kenya? How might providers deliver a more compelling value proposition to merchants, encouraging them to adopt and use electronic payments?

These two questions drove research conducted in Kenya by BFA on behalf of Kopo Kopo from November 2013 through May of 2014. Kopo Kopo had been acquiring merchants for the Lipa na M-PESA "Buy Goods" service and providing them technology tools to view and manage their transactions. But, for many merchants, payments volume was relatively low. We sought to find out what might be driving payments volume among current clients and how the value proposition offered by a service like Lipa na M-PESA might be made much more attractive to merchants, potentially helping them solve other business management challenges.

Converting retail payments to electronic form stands as an important barrier to the digitization of commerce in Kenya, but it is a tough problem to solve. In Kenya in 2011, there were US$29 billion in retail payment transactions, the overwhelming majority by volume being done in cash. Cash is ubiquitous, convenient, and trusted. It's well suited for the small transactions that dominate retail payments in Kenya, where previous research has found the median transaction size to be just KSh 65 (US$0.76) and KSh 100 (US$1.18) in urban and rural areas respectively[1].

While a mass transition to e-payments is expected to yield substantial macroeconomic savings, getting there requires micro level incentives—those at the merchant and consumer level—to be working. But, rather than ushering in a new era of convenience and security, uptake and utilization of new solutions has been relatively low. Electronic retail payments in many emerging markets have been deemed the "solution in search of a problem."[2]

Kopo Kopo, a tech company serving Kenyan merchants, asked whether the approach to payments might be upended. What if electronic payments provided just the basic entry point and platform that might enable merchants to solve their true business management challenges? What if payments were repositioned as part of a solution for businesses rather than expected to deliver substantial value to merchants through their innate security and efficiency features?

At the end of 2013, Kopo Kopo had been acquiring Kenyan merchants on behalf of Safaricom's Lipa na M-PESA service. They already had a substantial pool of clients using the basic payments service. In partnership with them, we set out to explore two core research questions that might help guide their future strategies: 1) What was driving payments on the current basic platform? In other words, what did merchants find compelling about a basic e-payments service? 2) What are the deeply felt business management needs of Kenyan merchants that potential software solutions—potentially linked to the payments platform—might deliver more substantial and lasting value?

[1] http://www.fsdkenya.org/pdf_documents/12-07-06_Time_for_Cash_to_Cash_Out_presentation.pdf
[2] http://memeburn.com/2014/07/south-africas-cashless-future-relies-on-localisation-not-innovation/; http://paybefore.com/op-ed/blog-mobile-payments-a-solution-looking-for-a-problem-may-2013/

Methodology. We explored these questions by employing two distinct methodologies:

1. A survey of 200 existing clients, looking at their payments behaviour and trying to understand what was driving usage of the basic payments service; and
2. Modified "diaries" involving bi-weekly collection of some basic business volume data and a series of six qualitative interviews with a small sample of 42 merchants to dig deeper into their business management and growth needs.

Both parts of the study were conducted in Nairobi and Nakuru, with some of the survey extended to the Lower Eastern region to increase the sample size outside of Nairobi.

Particularly for the qualitative portion, we focused on the smaller side of Kopo Kopo's market: micro, small, and medium-sized businesses that are eligible for Lipa na M-PESA registration by having, at minimum, a single business permit issued by their local county government. We defined these business size categories using World Bank terminology (which has also been adapted by FSD Kenya in its recent FinAccess Business survey) follows:

- Micro: Zero to four paid employees.
- Small businesses: 4-19 employees.
- Medium businesses: 20-99 employees.

Table 1: Summary of Overall Project Sample

	Nairobi	Nakuru	Lower Eastern
Client Survey— **Merchant users of Kopo Kopo**	88 Kopo Kopo Clients	56 Kopo Kopo Clients	63 Kopo Kopo Clients
Qualitative— **Users and Non-Users**	21 Merchants • 12 Kopo Kopo Clients • 9 Non-clients	21 Merchants • 6 Kopo Kopo Clients • 15 Non-clients	None

Within the qualitative sample, we selected merchants with a wide variety of business types and sizes within these broad confines. As a result, we ended up with a distribution of businesses as shown in Table 2 below.

Table 2: Qualitative sample

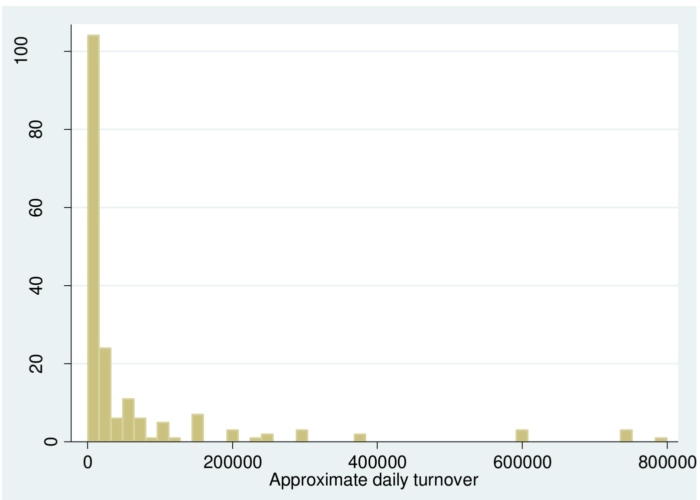
	Nairobi	Nakuru
Existing Clients of Kopo Kopo	**12**	**6**
Micro	3	5
Small	6	1
Medium	3	0
Non-Clients of Kopo Kopo	**9**	**15**
Micro	6	8
Small	3	1
Medium	0	6

Findings

E-payments volume does depend on business volumes, but less so on supplier payments in Kenya.

Our Kopo Kopo business survey covered a wide range of business types, with most of the businesses having very low turnovers, with a median daily turnover of just KSh 15,000 (US$176) (mean KSh 146,000, US$ 1,718). Uptake of the Kopo Kopo product among these small businesses could have been a function of the Kopo Kopo sales strategy, but also suggests that there is enough appeal for digital payments at least to cross the registration threshold, even among very small businesses.

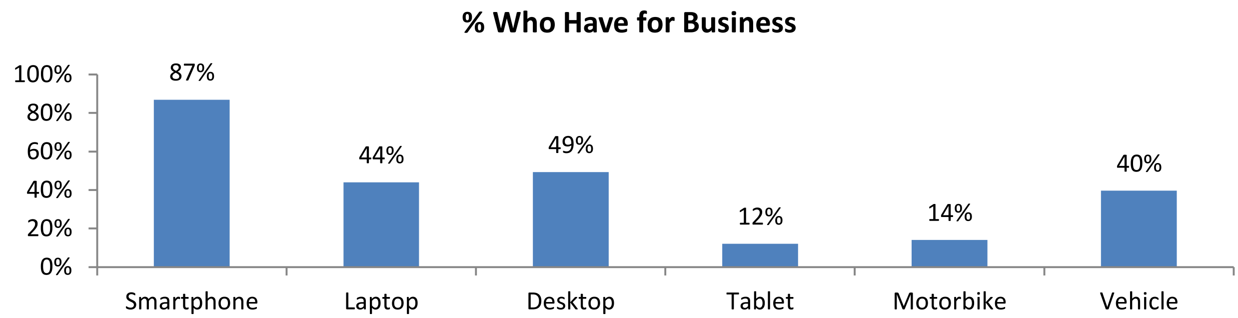
Figure 1: Approximate daily turnovers of businesses in the sample.
(Source: New Survey Data, n=207 merchants)



The owners and managers of these businesses were more likely to be male (65%) and relatively young (45% were under 35). And, these respondents were heavier users of technology than typical Kenyans. In fact, 87% of our respondents had smartphones and nearly half had access to a desktop computer for their work. This is much higher than the national smartphone ownership rate of 19% according to a 2013 Pew Research Center survey.[3] And, these devices help merchants connect to the internet. 72% of our merchant sample accesses the internet multiple times per week.

[3] http://www.pewglobal.org/files/2014/02/Pew-Research-Center-Global-Attitudes-Project-Technology-Report-FINAL-February-13-20146.pdf

Figure 2: Share of respondents who have various kinds of technology to support their businesses
(Source: New Survey Data, n=207 merchants)



But, these kinds of features just tell us about uptake, where the barriers to entry are low. Registration is free and relatively easy. What drives usage?

Kopo Kopo calls its heaviest transacting clients "whales," and we paid some close attention to them to understand what might be underlying their significantly larger Lipa na M-PESA payment volumes. We had 56 "whales" in the survey, and many of them were, as we expected, bars and clubs. Here the incentives are strong for both the merchant and the consumer to use electronic payments. Owners appreciate that it reduces cash handling and improves security, since many close at late hours and must then deal with large volumes of cash at night. It also lessens somewhat cash available to be siphoned off by employees. And, it can increase sales while substituting for credit for customers who decide after a few drinks to have a few more, though their cash has run out. Instead of leaving and instead of promising to pay later, the manager suggests they just pay on M-PESA. Clients feel safer not carrying cash at night, and - rightly or wrongly—indulge themselves more when they can tap this extra source of funds.

But, bars were not the only kinds of merchants on the list of whales. Some of the business types that came up as whales surprised us. They were not businesses that necessarily operated at night, had large transaction sizes, or even high transaction volumes that might boost them to "whale" status with just a small share of transactions shifting. For example, three of these were *kinyozis* (barbershops), where the typical transaction is under KSh 100 (US$1.18). Five were small *dukas* (general shops), where again, we knew transaction sizes to be quite small.

Table 3: Types of businesses that were classified as "whales", surprising or "atypical" types are outlined in orange.

Business type	n. whale
Bar/club	20
Hotel	7
Restaurant	6
Small duka (general shop)	5
Salon, kinyozi (barbershop)	3
Other merchant	3
Hardware	2
Distributor	2
Large duka (general shop)	1

Chemist	1
Agrovet	1
Photo studio	1
Petrol station	1
Butchery	1
Lender	1
Charity	1

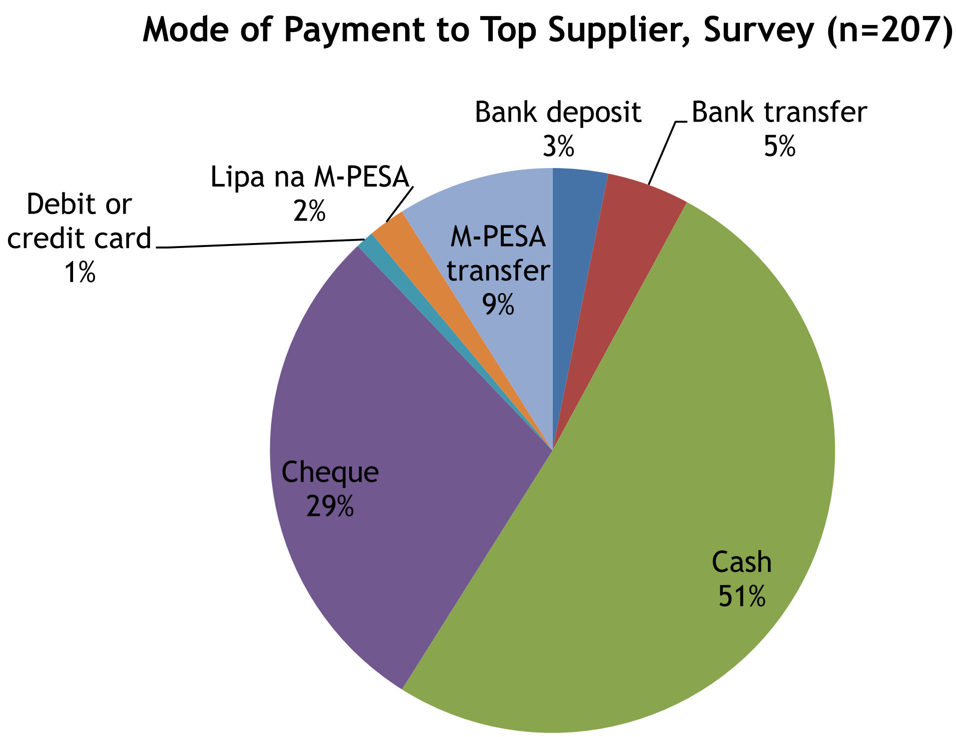
Running through a list of hypotheses, we looked for things that distinguished the whales from the rest of the sample. When we did that, we found that some things we thought would be important drivers were not so important after all. Transaction size, for example, did not distinguish whales from others. While whales' median transaction size was higher, the mean was actually much lower than the non-whales. And, margins did not seem to matter as much as we thought. Many businesses fell into the "high margin" group, but whales were only slightly more likely to be in that group than non-whales. Even if margins are relatively low, whales were finding a reason to use—and pay for—electronic transactions.

But, some of the factors that did matter quite substantially were around business size and volumes. Whales tended to be much larger businesses, with more employees, larger transaction volumes, and significantly higher turnovers. Even if they had 50 Lipa na M-PESA transactions, that could be few compared to their overall totals. They had much more to track and to manage, so being able to do some of that electronically might be quite helpful for them. They were already using a larger range of technologies, and nearly 1/3 already accepted card payments, so this was just one more channel.

How much did the attractiveness of an electronic payment loop seem to matter as a driver of merchant behavior? In other words, were some whales preferring e-payments because they also paid their suppliers electronically and could skip trips to the bank? It was not clear that this was an important factor in usage. Fewer whales paid their suppliers in cash than non-whales, but that may have been at least partly a function of their size and sophistication. Very few merchants ever mentioned that paying suppliers was easier when payments were received electronically. Instead, they told us, manual processing was still required, since payments systems were not fully integrated. Plus, very few merchants could operate *only* using electronic means. Even large grocery store chains, for example, paid some suppliers—like local farmers selling them chickens—in cash and paid for various expenses—like transport and food for employees—using cash.

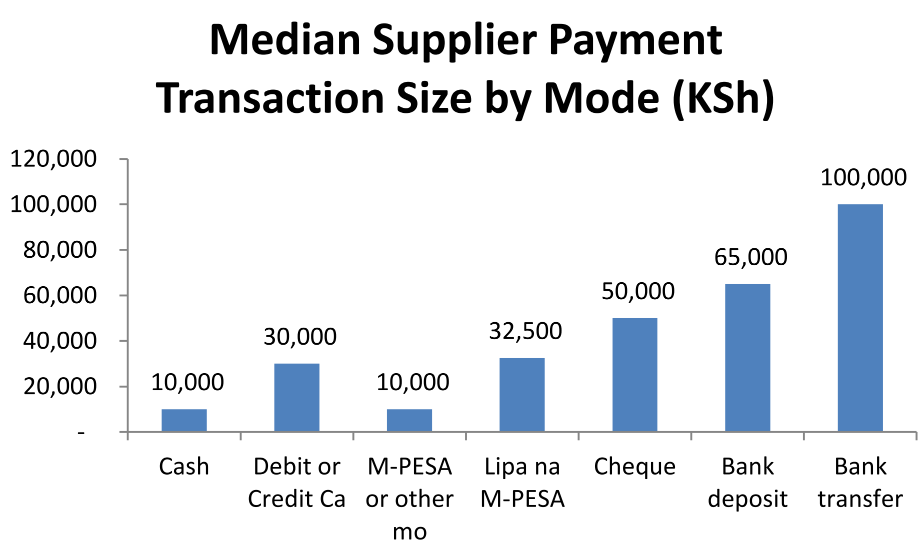
The value of an electronic loop, merchants told us, particularly in the qualitative interviews, would come from being able to nearly eliminate cash in all their operations. A partial solution right now did not offer much help, particularly since the various e-payment solutions they used were not seamlessly intertwined. For example, they cannot pay suppliers directly from Lipa na M-PESA, and transfers into their bank accounts take three days. It is hardly more efficient than cash, and the other most favoured supplier payment tool, cheques. There actually is no widespread, easy electronic transfer option for the kinds of large value payments that most merchants need to make to pay suppliers. Real Time Gross Settlement (RTGS) is overkill and M-PESA is too small.

Figure 3: How Kopo Kopo clients pay their suppliers, survey.
(Source: New Survey Data)



Unsurprisingly, then, we see some big difference in the mode of payment to suppliers based on payment size. In Figure 4, we show that right now, those using the normal M-PESA transfer service, led by bars and restaurants, are making payments to their suppliers in much the same magnitude as those making stock purchases in cash. Lipa na M-PESA stock purchases are larger, but still smaller than those being done by cheque.

Figure 4: Payment size in supplier payments based on payment mode.



The qualitative portion of the study echoed the same findings. In the qualitative study, about 60% of respondents paid suppliers mostly in cash. The rest paid mostly with cheques. These were not just ordinary cheques, but post-dated cheques, with a built in credit element. Typically a post-dated cheque would give the merchant credit for 30 to 90 days, a significant grace period in which to ensure funds would be available to make the payment to the supplier. This device is extremely widely used, and even though businesses do not always consider it a credit arrangement, it is, and a very important one. It bridges the moment between resupply and sale, and that can be crucial for many small businesses.

For those using Lipa na M-PESA in the qualitative study, the median level of volume of revenues transacted through the system was 4%. The choice about how to pay suppliers was done separately without consideration for how revenue arrives at the business, since, in reality, there is no seamlessness between how money comes in and how it goes out. Their choices of how to pay are circumscribed substantially by the size of the payment. There is no electronic alternative to post-dated cheques, and the electronic payment loop is not currently much of a loop at all. Regardless of where revenues come in, in reality today, there are multiple steps between the sales transaction and the supplier payment.

Business Profiles: Qualitative Study

The 42 businesses that completed the Diaries study were a diverse bunch. Our largest business was a bar in Nairobi with 42 employees and, according to daily sales data provided by management, had daily turnovers of around KSh 301,000 (US$ 3,541). In an average day, they had about 575 customers, but this masks major spikes on weekends and much lower customer numbers on week days. On a typical weekday, they have around 300 transactions. They are a “whale” client, with just 2% of their transactions flowing through M-PESA. The smallest runs a small beauty supply shop in Nakuru, where she has about four customers per day, each of whom spend about KSh 200 (US$ 2.35) each. This business barely makes any profit at all. Our calculations have her just below breakeven for the period we were with her. Her business is more of a pastime than an income source.

According to the data businesses provided to us, the median micro business had revenues of roughly KSh 5000 per day, compared to KSh 35,000 in the larger group. Larger businesses tended to be older and more established, but not necessarily more profitable by margins (though they certainly are in terms of absolute figures).

Table 4: Key statistics across Diaries sample

	Micro	Small & Medium
Number of Businesses	60%	40%
Employees	1	15
Average number of years operating	5	11
Customers per Day	37	154
Median	15	48
Daily Revenues on Operating Days	15,496	78,792
Median	4,974	34,542
Best Available Margin Estimation	47%	30%
Median	50%	51%
Share of Transaction Value on M-PESA	4%	4%
Median	0%	0%

Share of Stock Purchases on Credit (by value)	23%	41%
Median	16%	16%

Another motivator for electronic payments in Kenyan businesses is prevention of internal theft and encouraging internal accountability.

During the course of the study, we were surprised at just how frequently the major business challenge and major stress in managing a business came from supervising and motivating employees. Respondents told us that one benefit of going cashless was reducing levels of internal theft from their employees. But it wasn't just theft that worried them. It was also performance. They complained that workers were not serious, that they would come to work drunk, not arrive on time or at all for their shifts, and generally not show commitment to the best interest of the business.

Figure 5: Survey respondents also expressed their frustration managing employees.

"Employees are stealing! They deposit the agreed price, but they overcharge the customer and keep the extra. It's making customers run from my shop!"

"Some are not obeying or doing what you have asked them to. Some are just lazy."

"Some steal from me. Others just quit without notice."

"They don't tell me something is out of stock and I only find out that it's gone when I discover myself after returning from Nairobi with stock!"

"Unfaithful employees, some keep stealing from me, and I have a bad memory, sometimes I don't remember transactions."

"A major stress for me is dealing with drunk employees who are not as productive."

Photo Source 1: FSD Kenya, Kenya Financial Diaries Project

When we looked at "atypical whales," those merchants in the survey with high numbers of M-PESA transactions, but relatively small turnovers more generally, we found that most had at least one employee, and decreasing the risks of internal misuse of funds was coming up as an important motivator for the usage of e-payments.

It seemed that adoption and usage of e-payments might be driven in part by these concerns of managing employee performance—including discouraging internal theft—and that this might be an area where a piece of software linked to payments could encourage accountability and better align incentives of workers to the success of the business as a whole. We added a module on managing employees to our qualitative study to find out more.

In the qualitative study, owners told us that theft by employees was common. ***More than 80% of the small and medium businesses we studied in the qualitative portion of the study***

experienced theft by employees. This ranged from very small theft of cash—and particularly of goods—to very large sums. One business lost KSh 3 million in collusion between the manager and accountant.

> *"The theft is kidogo kidogo, for example, a worker can charge a customer 1000 and record 800 in the commission book, since she is the one who negotiated with the customer."*

> *"Waiters steal cash, cooks steal food, and cleaners steal soap. Each one, we try to deal with differently, we try to monitor them. We prevent the ladies from bringing in large handbags, and we know about how many plates each kg of meat should produce."*

> From interviewer notes: *"One accountant once stole 79,000 and was traced but never found. They realized they were spending more resources looking for him and stopped because he would have probably gone to jail and still not pay them their money."*

The larger businesses considered the threat to be much more substantial than the smaller ones. We asked them to rank the seriousness of the threat from one to four, with one being the most serious and four being the least. The micro businesses, with fewer than 5 employees, averaged a four, while the small and medium businesses averaged a score of two. It is very likely that this increased threat comes from the combination of increased volumes of money available for theft alongside increasingly distributed management. Once a business grows beyond some threshold of employees or opens a new branch, the owner cannot directly supervise all employees.

Even those businesses that are not overly concerned about theft were still very concerned about other management challenges. Employees come late to work or not at all. They are unreliable. And, perhaps most aggravating of all is when they mistreat customers. Nearly all of our business owners market themselves via word of mouth and consider the customer service experience—being nice!—to be a very important factor in securing future business. Business owners told us that it is extremely difficult to get employees' behaviour aligned with the company's ethos and goals.

> *"Male employees are often bothering the female employees. Some employees take advantage of the drunk clients and overcharge them."*

> From interviewer notes: *"She has to employ more workers than needed because some of them fail to show up for work."*

> *"Sometimes it is a challenge [to manage staff]. They fail to report on time, keeping clients waiting. They are not patient, and fail to understand the needs of the customer."*

> Managing people is *"a major challenge. They are giving me stress. Last month I was diagnosed with pressure! Employees fail to follow instructions… Some workers drink so much that they even fail to report to work the following day."*

These problems are compounded by the lack of good monitoring systems that both discourage theft and also enable managers to recognize and reward good employee performance.

Without being able to ensure consistent levels of performance from their employees, many successful businesses felt like they could not grow and expand, because their physical presence was necessary for the business to run well. Two agrovets abandoned the consultation component of their businesses because of these issues. One realized that while he was away, his employees were stealing money, which eventually mounted to KSh 3 million (US$35,300). The other just realized that there were major slumps in sales when he was in the field. His employees were not helpful and nice to customers, he reasoned. He is now staying in the shop full-time, though he sometimes does some diagnostic work looking at photos of his customers' sick animals over WhatsApp. Many told us that if they didn't feel that it was essential to personally supervise their staff, they would open new branches or pursue new businesses. One who summed it up particularly well told us that if she could trust her employees enough to not be physically present at the shop, *"It would be the third coming of Jesus! I would venture into other businesses and increase my income sources."*

So, what is actually behind the use of digital retail payments? In some ways, it's things we might expect like business size and turnovers. But, we also see that being able to secure internal funds may be even more important that an electronic payment loop, at least in the case of Kenya. Perhaps in selling merchants on transaction costs, we are pitching merchants the wrong value proposition.

Table 5: What's driving digital retail payments? Key distinctions between "whales" and non-whales

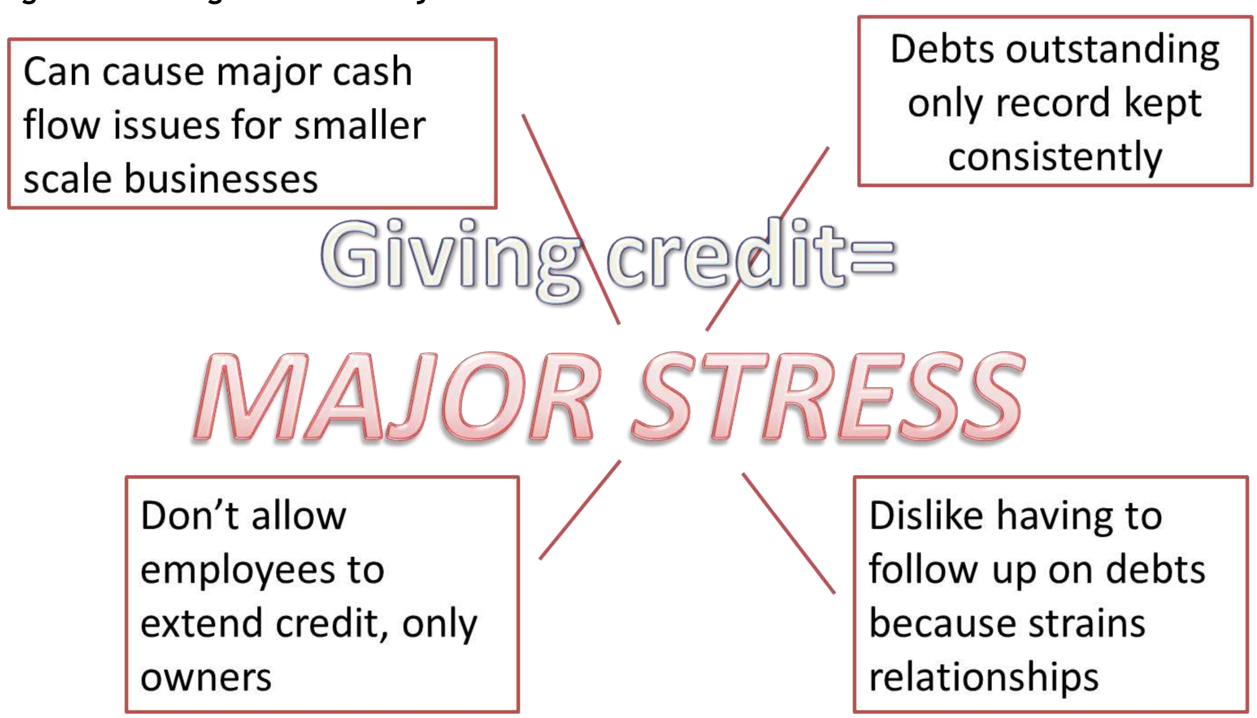
Variable in Survey (n=207)	Non-Whales	Whales	Does This Matter?
Transaction size: Perhaps M-PESA makes more sense for merchants where there are typically large transactions.	Median: KSh 500 Mean: KSh 4873	Median: KSh 800 Mean: KSh 1482	No
Services versus goods: Perhaps M-PESA will be more used where the merchant is selling services and thus has higher margins.	Strictly goods: 58%	Strictly goods: 63%	No
Margins: Perhaps larger margins alone explain higher usage, since they allow merchants to absorb transaction costs.	37% in high margin category (>20%)	42% in high margin category (>20%)	No
Suppliers: Perhaps those who pay suppliers electronically want to be paid electronically to reduce their own transaction costs, particularly in terms of time.	60% pay cash	28% of whales also pay cash	Maybe
Turnovers: Whales may just have more business volumes.	Median: KSh 8,750 per day	Median: KSh 56,250 per day	Yes
Number of transactions: Whales may just have more transactions than non-whales.	Median: 20/day Mean: 36/day	Median: 100/day Mean: 138/day	Yes
Employees: Whales have employees, so the owner is incentivized to reduce cash handling.	Median: 1 employee	Median: 17 employees	Yes
Technology: Whales have computers, accept card payments, and keep records.	8% accept cards, 36% laptops; 82% smartphones	30% accept cards; 68% laptops, 98% smartphones	Yes

After cash, selling goods on credit is currently the second most common payment method, and managing this extension of credit is a major source of stress for merchants.

Nearly all of the businesses we studied offer credit to at least some of their customers. Respondents in the qualitative study told us that managing that credit can be extremely stressful and uncomfortable. Because they are afraid that staff will give credit to unknown or unreliable customers, usually, only the owners are able to extend credit. Once the credit is given, delays in repayment, particularly for larger debts, become a cash flow strain. And, following up with clients who owe money causes even more strain by forcing uncomfortable confrontations with clients who might even go elsewhere, shifting to competitors to avoid facing their debt and their shame.

Providing a system that registers debtors, allows their debts to be tracked, sends less personal reminders to debtors, and allows electronic payment of outstanding debts could be a major value addition for many of these businesses. If enough data is captured on the repayment patterns of specific businesses and their specific clients, providing cash advances against some share of outstanding debt could also provide an important cash flow smoothing function to businesses whose working capital can get tied up in these debts.

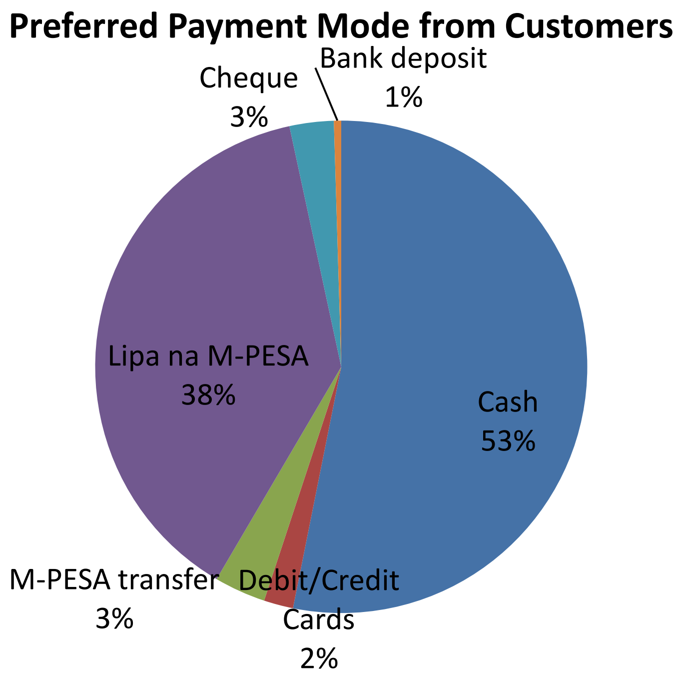
Figure 6: Giving credit is a major source of stress for businesses



Businesses are motivated to offer payment mechanisms that customers demand, but also DO push the methods of their own preference.

We asked every merchant in the survey which way they prefer to be paid. It was unsurprising in these early days of electronic retail payments that the majority preferred cash. But, what is surprising is that it was a thin majority of only 53%, with 38% reporting that Lipa na M-PESA is their preferred payment method. When we asked why, we were told it is more secure (from those who might want to rob their businesses of cash), it assists with accounting and record keeping, it improves internal security by discouraging theft by employees, and that it is a useful solution to the coin shortage that makes them have to leave their businesses searching for coins or to buy coins at a mark-up.

Figure 7: Merchant preferences in terms of how their customers pay
(Source: New Survey Data, n=207 merchants)



Many merchants really like Lipa na M-PESA. And, this is important, because 73% of merchants who preferred this mode of payment encouraged their customers to use it and actually achieved higher levels of usage than others. Across the entire sample of Kopo Kopo users, the average share of transactions done via Lipa na M-PESA was 7% (median was just 2%), but that rises to 10% (median of 5%) among merchants who preferred Lipa na M-PESA, and this difference is statistically significant at 99% confidence. It may not seem like much, but it certainly indicates some influence of the merchant in encouraging e-payments—even when they are the ones paying the fees and even in a context with relatively nascent usage of e-payments for retail.

Most businesses we studied exist to support livelihood of owner without major growth agenda.

The businesses that we studied in the qualitative portion of this project ranged significantly in size and scope, but one thing came out clearly across the board: these businesses exist as a personal livelihood strategy for the owner not in pursuit of business-specific or growth-related accomplishments.

We asked each of our respondents to tell us about how they opened their businesses. The majority of these entrepreneurs intentionally walked away from the security of a more stable job in order to start their own business. The job was always seen as something temporary, to help them learn a trade or business and to put aside some savings that might be used to start their new independent venture. The allure of business for many is strong: there is no boss, and as one salon owner told us, "I wanted no upward limit on my salary."

We also observed that many were extracting capital from the business for personal investments or borrowing for personal needs against the business' cash flows. This kind of borrowing for personal reasons—and securing the loans with business cash flows was far more common in our study than more growth-oriented borrowing. Business people borrow to buy land, build rental houses, and purchase personal vehicles. This does not seem unwise to me, particularly considering when the acquisition of these assets seems to be the single most important yardstick against which entrepreneurs of all sizes measure their own success.

Explaining the evidence of whether they have been successful, they told us, yes…

- *"She has built a perimeter wall around her homestead from the business."*
- *"He has built a house, educated himself and his children, and bought a car from the business."*
- *"He has acquired assets, opened two other branches, and bought a vehicle."*
- *"For the last three years she has been able to raise school fees [for a tertiary degree in business management] from the business with little help from her parents."*
- *"He has used most of his profits to venture into Real estate in partnership with his brothers."*
- *"He bought land, cows, and goats. He paid school fees for himself and his brothers and sisters."*

It was nearly impossible to disentangle business and personal finances, even from the largest businesses in our sample. For example, a respondent who manages a larger restaurant told us:

> From interviewer's notes: *"Recently they needed to buy a piece of land. The money they had saved was not enough, and they needed an extra KSh 200,000. Other situations [when they take capital from the business] include medical issues and school fees for children. This affected the stock, and they took a loan from Kopo Kopo to buy stock. The payments were made weekly since she settles her account on a weekly basis. The payment is quite flexible as can only be deducted if there is any payments made over M-PESA. The process of acquiring the loan is quite easy. In the last three weeks she has been able to repay KSh 78,000."*

Another family-owned business was forced to extract a lot of working capital to pay for the medical treatment of the founder—the current owners' father. Unfortunately, he passed away, and they had to borrow to replenish the business. They repay KSh 150,000 per month on that loan. But they are not bitter. Covering situations like their father's illness is <u>why</u> they exist.

Concluding Remarks

While nascent, electronic retail payments may offer a viable entry point for providing value added services to help merchant manage their micro, small and medium sized businesses. This research has shown that merchants themselves, not just consumers, have some influence over the way consumers pay. Merchants do not seem highly motivated to move to receipt of electronic payments as a means to save on the transaction costs associated with paying suppliers. Right now, savings on transaction costs may not be minimal, since payment systems are not seamlessly integrated.

Rather, heavy users of e-payments tend to be larger volume businesses trying to minimize risks of theft from both external criminals and tempted employees. In fact, managing employee performance appears to be perhaps the biggest management challenge and limitation to growth for those enterprises that might otherwise be able to expand into new functions and new branches.

Another major headache for businesses is managing debts owed to them by their clients. Outstanding debts can cause a cash flow pinch and collections are uncomfortable. Financing itself does not seem to be a major barrier to growth, though more flexible loans that can be processed faster are an improvement on the kinds of bank loans that many have relied on in the past.

But, there are also a large number of smaller businesses that are not oriented towards growth, that do not need major infusions of capital, but that still support the livelihoods of a large number of entrepreneurs whose main goal is to earn a modest living, not to build a business empire. These businesses may still benefit from software linked to their electronic retail transactions, but the solutions for them may be simpler and more narrowly focused around trying to help make their acceptance of e-payments attract new customers and helping them manage the stress and cash flow burden of extending credit to their clientele.

Until payments solutions solve real problems for the users themselves, we are unlikely to see wide scale usage of these payments mechanisms, and the benefits of e-payments may not actually accrue to all players in the economy the way e-payments evangelists hope. Kopo Kopo's efforts to focus on merchant needs and allow the payments to follow is an exciting new approach that may just change the tide in the markets where they work.