

Chapter 15

Mobile Money Frauds in the African Continent

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ABSTRACT

During the last decade, the mobile telecommunication industry has witnessed rapid growth in developing countries, which has facilitated access to cheap and reliable financial services for rural dwellers and the unbanked population. This chapter examines mobile money fraud in developing countries by tracing the evolution of mobile money services, exploring the nature and forms of mobile money fraud and its effects on service providers and users as well as the strategies for minimizing mobile money fraud. The chapter contends that while it may not be possible to completely eliminate mobile money fraud, some key strategies such as collective action, strong regulatory frameworks, and standardization of mobile money transaction processes are important in reducing the phenomenon. The chapter argues that as technology continues to improve, so will the provision of mobile money services, which will result in new forms of fraud. The chapter, therefore, proposes the need for continuous monitoring of mobile money fraud in order to design and implement effective fraud mitigation measures.

INTRODUCTION

Before the introduction of mobile telecommunication and the subsequent use of mobile phones to provide financial services, financial inclusion was a major challenge globally, particularly in the developing world. In the last decade, many countries in the developing world have witnessed improved financial inclusion (Buku & Mazer, 2017), partly because of the rapid growth of the mobile telecommunication industry in both rural and urban areas (Rafay & Khan, 2018). Growth in the mobile telecommunication industry has facilitated access to cheap and reliable financial services for rural dwellers, the informal sector and the unbanked population. This achievement underscores Goals 5, 8 and 17 of the Sustainable Development Goals (SDGs), which emphasize the use of technology to improve access to financial services (Rafay, 2022).

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At the onset of the COVID-19 pandemic in 2020, it became apparent that mobile-based technology, especially mobile money services would play pivotal roles in providing safe and non-contact ways to pay for food, electricity and other basic needs as well as keeping people connected and delivering vital financial support in many parts of the developing world. With more than \$2 billion in mobile money transactions every day and more than 1.2 billion registered mobile users around the world, mobile money services have become a part of a new daily routine for millions of people (Andersson & Naghavi, 2021). In less than two decades, mobile money services have radically transformed the lives of many people in Asia, Sub-Saharan Africa, Latin America and the Caribbeans (Andersson & Naghavi, 2021; Lepoutre & Oguntoye, 2018). Mobile money services have helped in making people more productive with their time and money as well as taking advantage of the socio-economic opportunities around their environment (Andersson & Naghavi, 2021; Lepoutre & Oguntoye, 2018). Mobile money operations have also become the channel through which the unbanked population joins the formal banking systems (Akomea-Frimpong *et al.*, 2019).

Financial transactions that are associated with mobile phone technology have been referred to variously as mobile money, mobile transfers (m-transfer), mobile banking (m-banking), mobile finance (m-finance) and mobile payment (m-payment) (Boamah & Murshid, 2019). While m-transfer, m-banking, m-finance and m-payment have often been attributed to a banking practice in which customers link their mobile phones to their traditional bank accounts, mobile money concerns with the use of mobile phones to make financial transactions without necessarily opening a traditional bank account. In many developing countries, mobile money is rapidly becoming the most convenient and easy-to-use alternative for financial transactions (Andersson & Naghavi, 2021). This is even more so as most of the traditional banks have incorporated mobile money services into their mainstream services.

The focus of this chapter is on mobile money, that is, the ability to use a mobile phone handset to save, send and receive money as well as make payment for goods and services without necessarily operating a bank account (Boamah & Murshid, 2019; INTERPOL, 2020). In other words, the chapter views mobile money as an electronic wallet service, available in many countries that allow users of mobile phones to store, send and receive money on their phones without necessarily operating bank accounts. It is important to note, however, that mobile money services have increasingly been linked to financial institutions such as banks and microfinance institutions. As a result of the interconnectedness between mobile money services and financial institutions, the Mobile Communications Association (GSMA) – a group that represents the interests of mobile network operators worldwide – views mobile money services as those that involve m-transfer, m-banking, m-finance and m-payment (Andersson & Naghavi, 2021). Nevertheless, available data suggest that in many parts of the developing world, people who use mobile money do not usually operate a traditional bank account partly because the banks are not readily accessible to them (Andersson & Naghavi, 2021).

The rapid growth of mobile money services unfortunately offers criminals the opportunity to defraud users in a variety of ways. Put differently, the provision and use of mobile money services have become a conduit for fraud and other criminal activities (Buku and Mazer, 2017; Akomea-Frimpong *et al.*, 2019). In many African countries, the occurrences of mobile money fraud have become commonplace in both rural and urban areas, which has led to substantial financial losses to organizations and individuals (Chatain *et al.*, 2011; Buku and Mazer, 2017; Akomea-Frimpong *et al.*, 2019). In addition, deaths related to mobile money fraud have been reported (Chatain *et al.*, 2011). Fraud is commonly understood as dishonesty and deception deliberately practiced for unfair or unlawful gain (Nakitende *et al.*, 2021). For purposes of this chapter, it is considered as the misrepresentation, concealment, or omission of the

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