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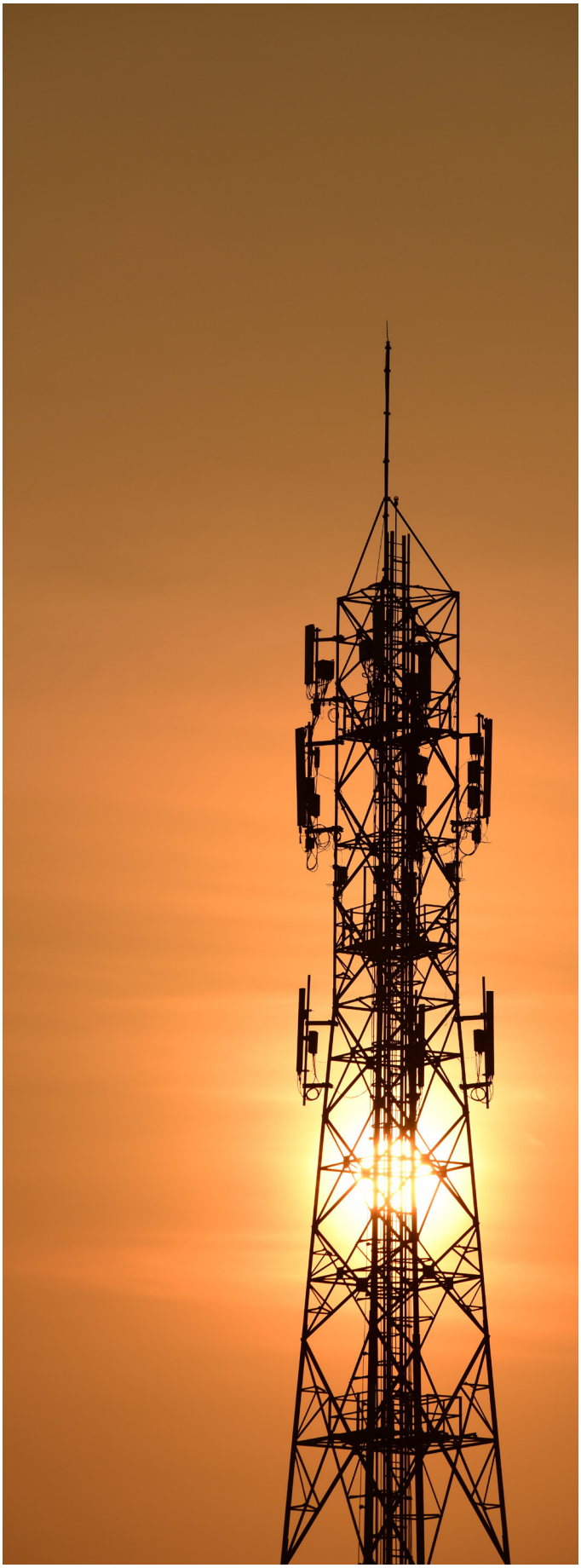
Navigating the Price War in Somalia's Telecommunications Sector

Executive Summary

The telecommunications price war in Somalia is driven by several factors, primarily the homogeneous nature of internet services, market saturation, technological advancements, and high consumer price sensitivity. Key players like Hormuud, Somtel, and SomNet have aggressively reduced prices to capture or retain market share. These changes benefit consumers in the short term by increasing affordability and accessibility. However, they pose risks to market sustainability, including reduced profitability, underinvestment in infrastructure, and potential market consolidation that could harm competition and innovation. The findings showed that while mobile phone users are highly price-sensitive in taking advantage of cost reductions, office and home internet users are generally less affected by the price war. These users prioritize stability and consistency over fleeting price discounts due to higher switching costs and dependency on reliable services. This segmentation has provided some financial stability to telecom firms amidst intense competition in the mobile market.

The telecommunications price war in Somalia threatens the sustainability of mobile money services, which currently serve as a critical lifeline for over 70% of the population due to the limited reach of formal banking institutions. While these services have traditionally been offered free, enabling financial inclusion and facilitating daily transactions, remittances, and commerce, the possibility of telecom firms introducing fees to recover losses could have profound socio-economic implications. Charging for mobile money transactions risks reducing usage, particularly among rural and low-income communities, potentially reversing gains in financial inclusion and stalling economic activities in informal markets.



1.0 Introduction

A price war is a competitive situation where businesses repeatedly reduce their prices to undercut competitors, often at the expense of profitability and market stability. While this phenomenon can offer short-term benefits to consumers through lower prices, it usually leads to long-term challenges such as monopolization, reduced market diversity, and economic instability.

The telecommunications industry in Somalia is a cornerstone of economic growth, enabling connectivity, digital financial services, and e-commerce. However, the sector has recently witnessed an aggressive price war in internet packages, particularly among the leading firms, SomNet, SomTel, and Hormuud. While competition drives innovation and affordability, unchecked price wars can harm market sustainability and national economic outcomes. This report explores the underlying causes and consequences of the telecommunication price war in Somalia, focusing on its economic impact, regulatory gaps, tax implications, and market dynamics. It concludes with recommendations for sustainable competition in the industry.

2.0 Literature Review

2.1 Price Wars in Telecommunications

Price wars in the telecommunications industry are well-documented phenomena, particularly in markets with high competition and low switching costs. According to Doyle and Broadbent (2017), price wars arise when firms aggressively lower their prices to attract customers, often at the expense of profitability. This strategy is common in industries where products are commoditized, making price a key differentiator. In the telecommunications sector, price wars are intensified by technological advancements and the rise of mobile internet, which reduce operational costs but increase competitive pressure.

A study by Li and Brown (2019) highlights that price wars can benefit consumers in the short term by making services more affordable. However, these benefits are often offset by long-term drawbacks, such as reduced investments in infrastructure and innovation. The authors emphasize that unchecked price wars can lead to market consolidation, where only a few dominant players survive, potentially reducing competition and harming consumer interests.

2.2 Economic Impact of Price Wars

Price wars can have significant economic implications, both for firms and the broader economy. In the telecommunications sector, reduced revenues from lower prices can constrain firms' ability to invest in infrastructure and expand coverage (Jain & Gupta, 2020). This is particularly detrimental in developing countries, where robust telecom infrastructure is crucial for economic growth and financial inclusion.

Kumar and Sharma's (2021) case study on India's telecommunications sector demonstrates how price wars among major providers, such as Reliance Jio, Vodafone, and Airtel, led to a sharp decline in Average Revenue Per User (ARPU). While this benefitted consumers, it strained the financial health of telecom firms and reduced government tax revenues.

The study highlights the importance of balancing competitive pricing with sustainable business practices.

2.3 Regulatory Gaps and Competition

Regulatory frameworks play a critical role in managing price wars. In markets with weak regulation, firms are more likely to engage in predatory pricing, which can destabilize the industry (Hossain et al., 2018). Effective competition policies are essential to ensure fair pricing while preventing monopolistic practices. Research by Mensah and Yeboah (2020) explores regulatory gaps in African telecommunications markets. The authors argue that the absence of robust oversight mechanisms allows firms to prioritize short-term gains over long-term sustainability. They recommend the establishment of independent regulatory bodies to monitor pricing strategies and enforce fair competition.

2.4 Price Wars in Emerging Markets

Emerging markets present unique challenges and opportunities for the telecommunications industry. According to Owusu and Boateng (2019), low-income consumers in these markets are highly price-sensitive, making them vulnerable to aggressive pricing tactics. While price wars can increase accessibility, they also risk creating instability in a sector critical for economic development. A notable example is Nigeria's telecommunications sector, where firms such as MTN, Airtel, and Glo have engaged in intense price competition. This led to a surge in mobile and internet penetration, raising concerns about market sustainability and reducing tax revenues (Adewale & Ogunlana, 2021).

2. 5 Relevant Case Studies

The entry of Reliance Jio in 2016 disrupted India's telecommunications market with ultra-low-cost data and free voice calls. This forced competitors like Airtel, Vodafone, and Idea Cellular to slash their prices, triggering a price war (Kumar & Sharma, 2021). While consumer internet usage skyrocketed, the intense competition led to significant financial losses for firms, market consolidation, and reduced tax revenues for the government. Regulatory interventions, including spectrum auctions and stricter pricing guidelines, were introduced to stabilize the market.

In Nigeria, intense price competition among telecom firms has driven significant mobile and internet penetration growth. However, this growth has come at the cost of profitability and investment in infrastructure (Adewale & Ogunlana, 2021). Regulatory bodies like the Nigerian Communications Commission (NCC) have introduced measures to manage competition, including price floors and caps. Despite these efforts, the sector remains volatile, highlighting the challenges of balancing affordability and sustainability.

Kenya's telecom sector, dominated by Safaricom's M-Pesa, demonstrates how innovative services can shape competition. Rather than focusing solely on price, Safaricom leveraged its mobile money platform to differentiate itself (Njenga & Waithaka, 2020). This approach has allowed Safaricom to maintain market leadership while avoiding destructive price wars. The case illustrates the importance of innovation in creating sustainable competitive advantages.

3.0 Price War Drivers

3.1 Market Saturation

The Somali telecom sector has reached a point where most potential customers already have access to services. Providers are compelled to engage in aggressive pricing to attract customers from competitors as acquiring new users becomes increasingly challenging.

3.2 Technological Advancements

Investments in efficient technologies like fiberopticinternethavereducedoperational costs, enabling providers to lower service prices. This competitive edge pushes firms into price reductions, triggering a race to offer the most affordable packages.

3.3 Consumer Price Sensitivity

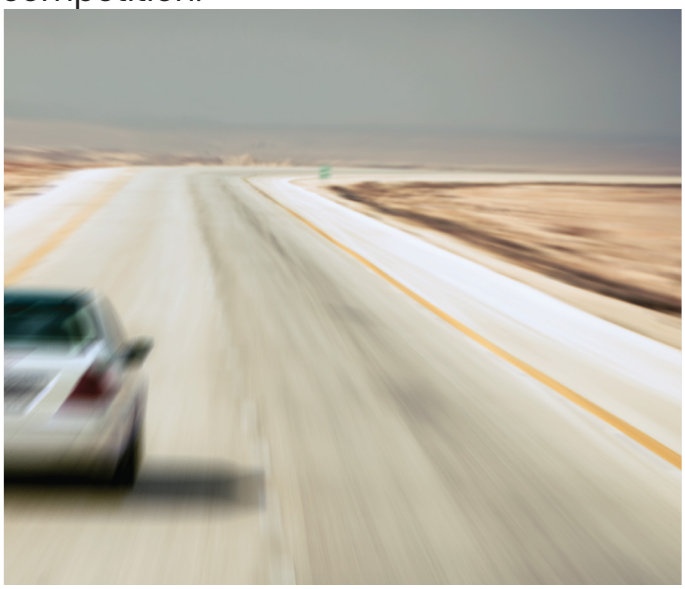
High unemployment, low-income levels, and dependency make Somali customers highly price-sensitive. They prioritize affordability over brand loyalty, forcing companies to focus on low-cost packages to appeal to the majority.

3.4 Regulatory Gaps

Weak competition policies, lack of price monitoring mechanisms, and insufficient consumer protection laws allow unchecked pricing strategies, leading to predatory pricing and destabilized market dynamics.

3.5 Low Switching Costs

Mobile users in Somalia can easily switch between providers due to minimal contractual obligations, further intensifying competition.



4.0 Price War Analysis

Before the price war, Somalia's internet service market was characterized by relatively higher and stable pricing, with limited plan options for consumers. Somtel and Somnet had comparable offerings, with both companies charging $0.50 for their daily unlimited plans and $15 for their monthly unlimited plans. Similarly, Hormuud, for instance, offered its weekly unlimited plan at $6, its monthly unlimited plan at $18, and a daily unlimited plan for $0.70. The daily unlimited plan of Hormuud seems higher than that of its competitors, but this price includes another extra service called Nasiye (TV), which competitors do not.

Before Price War			Price War Data		
Company	**Before Price War**	**Internet Data**	**Company**	**Price**	**Internet Data**
Somtel	$0.50	Daily Unlimited	Somtel	$0.50	36 hrs. unlimited
Somtel	$0.50	Daily Unlimited	Somtel	$0.50	Two days unlimited
Somtel	$15	Monthly Unlimited	Somtel	$13	Monthly Unlimited
Somtel	$1	3 GB	Somtel	$1	4GB
Somtel	$0.50	1.5 GB	Somtel	$0.50	2GB
Hormuud	$18	Monthly Unlimited	Hormuud	$15	Monthly Unlimited
Hormuud	$6	Weekly unlimited	Hormuud	$3.50	Weekly unlimited
Hormuud	$0.70	Daily unlimited	Hormuud	$0.50	Daily unlimited
Hormuud	$1	2GB	Hormuud	$1	3GB
Hormuud	$0.50	850MB	Hormuud	$0.50	1.5 GB
SomNet	$15	Monthly Unlimited	SomNet	$12	Monthly Unlimited
SomNet	$0.50	Daily Unlimited	SomNet	$0.50	Two days unlimited
SomNet	$0.50	1350 MB			
SomNet	$1	2.5 GB			

However, a significant shift occurred around early November 2024, leading to a price war that reshaped the competitive landscape. **Hormuud** initiated price adjustments around November 10, reducing its daily unlimited plan to $0.50 (down from $0.70) and cutting its weekly unlimited plan from $6 to $3.50. It also introduced smaller data packages, such as 1.5 GB for $0.50 and 3 GB for $1. Hormuud continues its aggressive price war by cutting $18 to $15 for monthly unlimited packages.

Somtel responded on November 13, introducing $0.50 for a 36-hour unlimited plan and increasing the service durability to a two-day unlimited package at the same price point on November 21. Somtel also reduced its monthly unlimited plan from $15 to $13 on November 14, launching $1 for 4GB and $0.5 for 2GB internet packages on November 19. Similarly, **SomNet** entered the price competition, introducing a two-day unlimited plan for $0.50 on November 13 and reducing its monthly unlimited plan from $15 to $12 on November 14.

The pricing shifts during these dates illustrate a focused strategy by all telecom providers to target cost-conscious and short-term users. The providers made strategic cuts in their daily and short-term plans, particularly around November 10, 13, and 14, with all aligning their daily unlimited and short-term plans at $0.50, clearly competing for the attention of budget-focused consumers. Meanwhile, their monthly unlimited plans saw moderate reductions, signaling a strategic effort to capture both casual and long-term users. Hormuud's approach was more diverse, offering a broader range of data sizes and timeframes, while Somtel aggressively expanded its plan variety, introducing multiple pricing tiers and data options. Somnet, on the other hand, responded more conservatively, with fewer price adjustments and a more limited selection.

The timeline of these changes highlights the quick escalation of the price war, with telecom providers eager to capture or maintain market share. The price cuts provided immediate consumer benefits, offering them more options at lower prices. However, these adjustments posed significant risks to the long-term profitability of the providers, as the market was rapidly becoming more competitive. The introduction of cheaper, smaller plans and aggressive price slashing during the price war indicated a shift towards more consumer-centric pricing models but left the providers in a precarious position, struggling to balance customer acquisition with profitability in a rapidly changing market.

In addition to their traditional internet plans, Hormuud and Somnet have diversified their offerings by providing specialized services, such as IPTV (Internet Protocol Television) through the Nasiye Service. This service, branded as Ku Dhan, represents an additional layer of competition in the market, particularly for consumers looking for a combination of internet and entertainment services.

Hormuud and Somnet's inclusion of IPTV services shows an effort to cater to a broader range of customer needs by blending data connectivity and media consumption into one package. IPTV provides users access to various television channels, movies, and on-demand content, all streamed online. This aligns with the increasing trend of bundling services as telecom companies attempt to differentiate themselves from competitors and create more comprehensive, all-in-one packages.

Both companies offer the Nasiye Service (Ku Dhan), which could potentially serve as a key differentiator in the ongoing price war. By combining internet access with entertainment content, it provides customers with more value for their money. This is particularly appealing for households and mobile users who may already rely on the internet for other purposes but are now

looking for ways to access quality television content without the need for traditional cable subscriptions.

As the price war intensifies and companies strive to capture market share, including specialized services like IPTV could become a strategic advantage. Providers may leverage this to attract new customers or retain existing ones by offering a more diverse portfolio of services beyond basic internet data plans. It also represents a move toward more integrated digital ecosystems, where consumers are increasingly looking for bundled services that combine connectivity, entertainment, and potentially other utilities like home security or smart services.

It is important to note that while mobile phone users tend to be more price-sensitive, office and home users are generally less affected by the price war. The short-term nature of the price promotions, primarily limited to November and early December, means that the cost of shifting providers for office and home users would outweigh the benefits of the price cuts. These users are less likely to switch based on temporary discounts, as they typically prioritize stability and consistency over fleeting price reductions. On the other hand, mobile phone users, who often rely on more flexible and budget-conscious plans, are more likely to take advantage of the price war, given the significant cost reductions and the greater variety of short-term plans available.

5.0 Telecommunication Market in Somalia

In Somalia, Internet services are mainly homogeneous, leading to price competition as a primary strategy.

5.1 Market Saturation

In mature or saturated markets, firms engage in price wars to retain existing customers or poach competitors' customers. For example, the telecom sector in Somalia, where most potential customers already have access to mobile services, necessitates aggressive pricing to win over customers.

5.2 Technological Advancements

Innovations that reduce production or service costs can trigger price wars as firms pass savings to customers. For instance, the telecom industry's investments in more efficient infrastructure (e.g., fiber optics) may lead to lower service costs. This creates an opportunity to pass these savings on to customers through reduced prices, increasing accessibility to internet services for individuals and businesses. However, this also heightens provider competition, potentially triggering price wars as firms strive to gain market share by offering the lowest prices. For instance, companies may aggressively compete to attract price-sensitive consumers in Somalia, where fiber optic internet is operational but with high unemployment and poverty rates.

5.3 Consumer Price Sensitivity

High levels of price sensitivity, often seen in low-income markets, amplify the likelihood of price wars. Customers in these settings prioritize affordability over other attributes like brand loyalty or service quality. In low-income and developing contexts like Somalia, several socioeconomic factors drive high price sensitivity among customers. One key factor is the high rate of unemployment, which leaves many households with limited income sources. Families in these situations often prioritize affordability over quality or brand loyalty, as tight budgets constrain their purchasing

decisions. Additionally, Somalia's predominantly young population, many students or unemployed, has limited purchasing power, further amplifying the focus on cost-effectiveness.

Large family sizes and high dependency rates also contribute to this price sensitivity. In Somali households, a few earners often support many dependents, including children, the elderly, and non-working adults. These dynamics place significant financial strain on families, making even minor price differences in essential goods and services critically important. Compounding these challenges are poor economic growth and high poverty rates, which suppress wages and reduce disposable income. This economic environment forces consumers to prioritize the lowest-cost options for necessities, leaving little room for discretionary spending. Together, these interconnected factors shape a customer base that is highly price-sensitive, necessitating careful consideration of affordability in business and policy strategies.

6.0 Regulatory Gaps Causing the Price War in Somalia

The telecommunications price war in Somalia is fueled by significant regulatory gaps that undermine fair competition, weaken consumer protections, and create an unsustainable market environment. The primary contributors to this issue are the absence of competition policies, lack of price monitoring mechanisms, and weak consumer protection laws. These gaps not only destabilize the market but also jeopardize long-term sectoral growth. Examining global cases offers insights into the implications of such regulatory deficiencies.

6.1 Absence of Competition Policies

In Somalia, the lack of a robust competition policy allows firms to engage in aggressive pricing strategies without oversight. This unregulated environment fosters predatory practices, leading to short-term consumer benefits but long-term market destabilization.

India (Telecom Sector, 2016-2020): Reliance Jio's entry disrupted the market with free services and ultra-low pricing. Without comprehensive competition policies, other telecom providers, like Airtel and Vodafone Idea, were forced to match these prices, resulting in significant financial losses. This led to market consolidation, with smaller players exiting the sector (Kumar & Sharma, 2021).

Indonesia (Telecom Sector, 2010s): In the early 2010s, Indonesian telecom companies engaged in price wars due to inadequate competition policies. Firms prioritized market share over profitability, which delayed investment in network upgrades, particularly in rural areas. Eventually, regulators intervened, imposing minimum pricing regulations to stabilize the market (Hossain et al., 2018). Without a competition policy, the Somali telecom sector risks unsustainable practices that could harm smaller players and reduce long-term investments in infrastructure and innovation.

6.2 Lack of Price Monitoring Mechanisms

Regulatory bodies in Somalia do not monitor pricing strategies or establish guidelines to prevent predatory pricing. This gap allows firms to undercut competitors, potentially driving them out of the market.

Kenya (Telecommunications, 2010s): Safaricom's dominant position in Kenya led to complaints of unfair pricing strategies. Regulatory authorities eventually introduced measures to monitor pricing and enforce fair competition, ensuring smaller players like Airtel could survive in the market (Njenga & Waithaka, 2020).

South Africa (Data Pricing, 2017-2019): The Competition Commission found that major telecom operators were charging excessive prices for data. Regulators mandated price reductions and introduced monitoring mechanisms to ensure fair competition, increasing consumer affordability (Competition Commission of South Africa, 2020). The absence of price monitoring mechanisms in Somalia allows firms to engage in harmful pricing practices, risking market instability and consumer dissatisfaction in the long term.

6.3 Weak Consumer Protection Laws

Somalia's weak consumer protection framework exacerbates the issue, as firms focus on short-term pricing strategies without accountability for service quality or long-term value delivery.

Nigeria (Mobile Data Services, 2015-2020): Weak consumer protection laws in Nigeria allowed telecom firms to engage in misleading advertising and unfair pricing. Consumers often purchase data packages without transparent terms and conditions, leading to widespread dissatisfaction. Strengthened consumer protection regulations, introduced in 2021, forced firms to improve pricing transparency and service delivery (Adewale & Ogunlana, 2021).

Philippines (2019): Consumer complaints about poor service quality during a price war prompted regulatory reforms, including establishing mandatory service quality standards and complaint resolution mechanisms (Telecommunications Regulatory Authority of the Philippines, 2020). Weak consumer protection laws in Somalia fail to hold firms accountable for service quality, allowing them to exploit pricing strategies without addressing consumer needs.

7.0 Market Implications of the Price War in Somalia

The telecommunications price war in Somalia has profound market implications, including increased customer switching, segment stability, and the risk of market consolidation. These dynamics can reshape the competitive landscape, influence consumer behavior, and affect the sector's long-term viability. Global cases illustrate the broader consequences of similar price wars and provide valuable insights into potential outcomes for Somalia.

7.1 Customer Switching

The low switching costs for mobile users in Somalia encourage frequent changes between service providers, intensifying competition, and the ongoing price war. This is particularly evident in daily packages, where customers prioritize cost-effectiveness over brand loyalty.

Reliance Jio's entry, offering free voice calls and inexpensive data plans, led to massive customer switching from established providers like Airtel and Vodafone Idea. This dynamic forced all players to match Jio's pricing, significantly eroding industry revenues. Research indicates that over 30% of Indian telecom customers switched providers annually during the price war (TRAI, 2019).

Indonesian consumers frequently switched between providers offering promotional internet and SMS packages (Mobile Internet). The lack of long-term contracts and low switching costs allowed users to leverage the best offers, intensifying competition and destabilizing the market (Setiawan et al., 2015).

Frequent switching in Somalia's telecom market diminishes customer lifetime value and undermines firms' ability to build long-term customer relationships, potentially reducing investments in innovation and service quality.

7.2 Segment Stability

While mobile internet pricing is volatile, firms maintain stable pricing for office and home internet services due to high switching costs and user dependency. This segmentation ensures some revenue stability amidst the broader price war.

U.S. broadband providers, including Comcast and AT&T, maintained stable pricing for home internet services even during competitive pressures in the mobile market. The high costs of switching broadband providers and the logistical challenges of changing home setups deterred frequent changes (FCC, 2018).

While mobile operators engaged in intense price competition in Germany, pricing for fixed-line internet services remained stable. Dependence on high-speed fixed networks for businesses and homes ensured this segment's resilience against price wars (Schroeder, 2020).

Somali telecom firms mitigate some financial losses from the mobile segment price war by maintaining stable pricing for office and home internet services. However, this strategy may not be sustainable if the price war extends to these high-dependency segments.

7.3 Market Consolidation Risks

Prolonged price wars in Somalia risk driving smaller firms out of the market, leading to reduced competition and monopolistic tendencies. Larger firms, with more financial resources, can sustain low pricing strategies longer, forcing smaller competitors to exit.

United Kingdom (Mobile Sector, 2000s): A price war among mobile operators led to the consolidation of smaller players like Orange and T-Mobile, which merged to form EE. The consolidation reduced competition, leading to higher prices in the long term (OFT, 2008).
South Africa (Mobile Data, 2010s): Prolonged price wars reduced the viability of smaller

operators, leading to market dominance by Vodacom and MTN. This concentration limited consumer choice and increased regulatory scrutiny (Competition Commission of South Africa, 2020).

The aggressive pricing by Reliance Jio forced several smaller providers in India, including Aircel and Reliance Communications, out of the market. By 2020, the industry had consolidated into three major players, with decreased competition and eventual price stabilization at higher rates (Kumar & Sharma, 2021).

The risk of market consolidation in Somalia could lead to a duopoly or monopoly, reducing consumer choices and potentially increasing prices in the long term. This outcome could also stifle innovation and create a market imbalance that harms consumer welfare.

8.0 Price Wars on Economic Impacts

Price wars in the telecommunications sector can have profound economic impacts, influencing consumer welfare, firm profitability, market dynamics, and broader macroeconomic outcomes.

8.1 Consumer Surplus and Welfare Gains

Theoretically, price wars significantly increase consumer surplus, as lower prices make services more affordable and accessible. This aligns with neoclassical economic theory, which posits that competition in perfectly competitive markets drives prices toward marginal costs, benefiting consumers (Varian, 2014). For example, in telecommunications, lower data and voice services costs enable broader access to essential communication tools, fostering digital inclusion and reducing barriers to information. Empirical studies show that price wars enhance affordability and expand market penetration, particularly in emerging economies. India's Telecom Sector (2016–2020): The entry of Reliance Jio, offering free voice calls and ultra-low-cost data, led to a significant increase in internet penetration, from 27% in 2015 to 52% in 2020 (Kumar & Sharma, 2021). This democratization of Internet access contributed to economic activities like e-commerce, digital education, and remote work.

8.2 Profit Margins and Firm Behavior

The game theory model of oligopolistic competition suggests that price wars result from aggressive competitive strategies where firms reduce prices to capture or retain market share (Tirole, 1988). While this can temporarily increase demand, reducing Average Revenue Per User (ARPU) often diminishes profit margins, leading to financial strain on firms. Price wars often lead to reduced profitability across the industry. In Nigeria, aggressive pricing by leading firms like MTN and Airtel resulted in a 20% decline in ARPU between 2018 and 2021 (Adewale & Ogunlana, 2021). Firms struggled to sustain operational costs, leading to reduced investments in infrastructure upgrades.

8.3 Investment and Innovation Trade-offs

The Schumpeterian theory of innovation argues that price wars can reduce firms' ability to invest in research and development (R&D) and infrastructure. Firms prioritize short-term survival over long-term growth, which hampers technological advancements and network expansion. The financial health of telecom firms plays a critical role in maintaining sector stability. Price wars can erode profitability and increase debt levels, making firms vulnerable to economic shocks.

8.4 Tax Revenue and Government Budgets

Lower prices translate into reduced taxable revenues, impacting government budgets. Empirical evidence from Kenya indicates that price wars in the telecom sector led to a 15% drop in tax collections from the industry between 2018 and 2020, affecting public spending on infrastructure and social services (Njenga & Waithaka, 2020). Price wars can indirectly impact

employment within the sector. In Indonesia, telecom companies engaged in price wars reduced workforce size and froze wage growth due to declining profits, affecting over 10,000 employees between 2015 and 2020 (Hossain et al., 2018). The downsizing of employees and reduced taxable profit will constrain the government budget because the downsized personnel are taxpayers. So, the price war reduces corporate and personal income taxes.

8.5 Contribution to Digital Economy Growth

Despite the challenges, price wars often accelerate the growth of the digital economy. Affordable Internet access facilitates e-commerce, online banking, and digital education, contributing to GDP growth. A World Bank (2021) study found that every 10% increase in mobile internet penetration contributes to a 2% GDP growth in low-income countries in Sub-Saharan Africa.

8.6 Risk of Market Consolidation

Prolonged price wars can drive weaker firms out of the market, leading to monopolistic or oligopolistic structures. In India, Vodafone-Idea struggled to survive during the price wars triggered by Reliance Jio, ultimately leading to market consolidation (Kumar & Sharma, 2021). Reduced competition post-consolidation often results in higher prices and reduced consumer welfare in the long run.

8.7 Effects of the Price War on Mobile Money in Somalia

Mobile money is the backbone of the Somali economy, facilitating millions of people's daily transactions, remittances, and economic activities. The telecommunications price war significantly affects this critical sector, influencing transaction costs, service quality, and overall financial inclusion. These effects are amplified in a country where over 70% of the population relies on mobile money for financial services due to the limited presence of formal banking institutions (World Bank, 2023).

In Somalia, mobile money services have been offered free, providing an essential lifeline for millions of users who rely on these platforms for financial transactions, remittances, and everyday commerce. However, the ongoing price war among telecom firms raises the possibility that these services might no longer remain free. If the firms begin charging for mobile money transactions to recover losses incurred during the competition, the consequences could be profound for the Somali economy and society.

Charging fees for mobile money could lead to reduced usage, particularly among rural and low-income users. This could reverse progress in financial inclusion and stall economic activity in informal markets. Slower adoption and reduced mobile money usage could negatively affect small businesses and disrupt supply chains, particularly in informal markets with limited cash alternatives. If mobile money fees are introduced, financial access could become a privilege for wealthier urban users, further widening the rural-urban divide in Somalia.

Recommendations

1. Establish Regulatory Frameworks

Introduce competition policies and price monitoring mechanisms to prevent predatory pricing and promote fair competition. Strengthen consumer protection laws to ensure service quality and pricing transparency. The government should implement the existing regulations.

2. Support Market Stability

Introduce price floors or caps to ensure pricing sustainability and prevent smaller players from being forced out of the market.

3. Collaboration Over Competition

Businesses should consider forming strategic alliances or adopting industry-wide standards that prevent destructive price wars. Collaboration can help maintain profitability while fostering healthy competition.

4. Promote Economic Diversification

Encourage investment in underdeveloped industries such as agriculture, manufacturing, and renewable energy to reduce reliance on a few dominant sectors. A diversified economy is less susceptible to sector-specific price wars and offers broader economic stability.

5. Educate Consumers

Raise awareness among consumers about the value of quality and long-term reliability over short-term cost savings, fostering more informed decision-making

6. Investing in High Technology

Leveraging cutting-edge technologies can help telecom firms achieve growth and competitive differentiation. These innovations can improve service delivery, reduce operational costs, and create new revenue streams.

7. Leveraging Artificial Intelligence (AI)

AI can revolutionize the telecom sector by automating processes, predicting customer needs, and offering personalized services.

8. Developing Public-Private Partnerships (PPPs)

Collaborating with the public sector can unlock resources and expertise for large-scale projects, ensuring mutual benefits for telecom firms and society.

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