



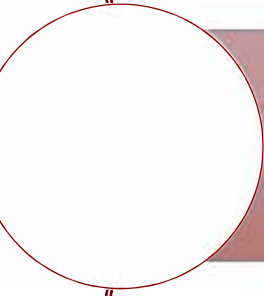
# Mobile Money: Landscape, developments, & sustainability

the Asia-Pacific Regional Forum for Telecommunication/ICT and Financial Regulators on Digital Financial Inclusion

5 August 2015, Kuala Lumpur, Malaysia



Potential & Landscape for Mobile Money:  
2014 State of the Industry



Industry developments and evolution



Sustainability: Enabling safe and secure payments



---

# Potential & Landscape for Mobile Money: 2014 State of the Industry

The mobile phone has become ubiquitous, and represents a growing opportunity for financial inclusion.



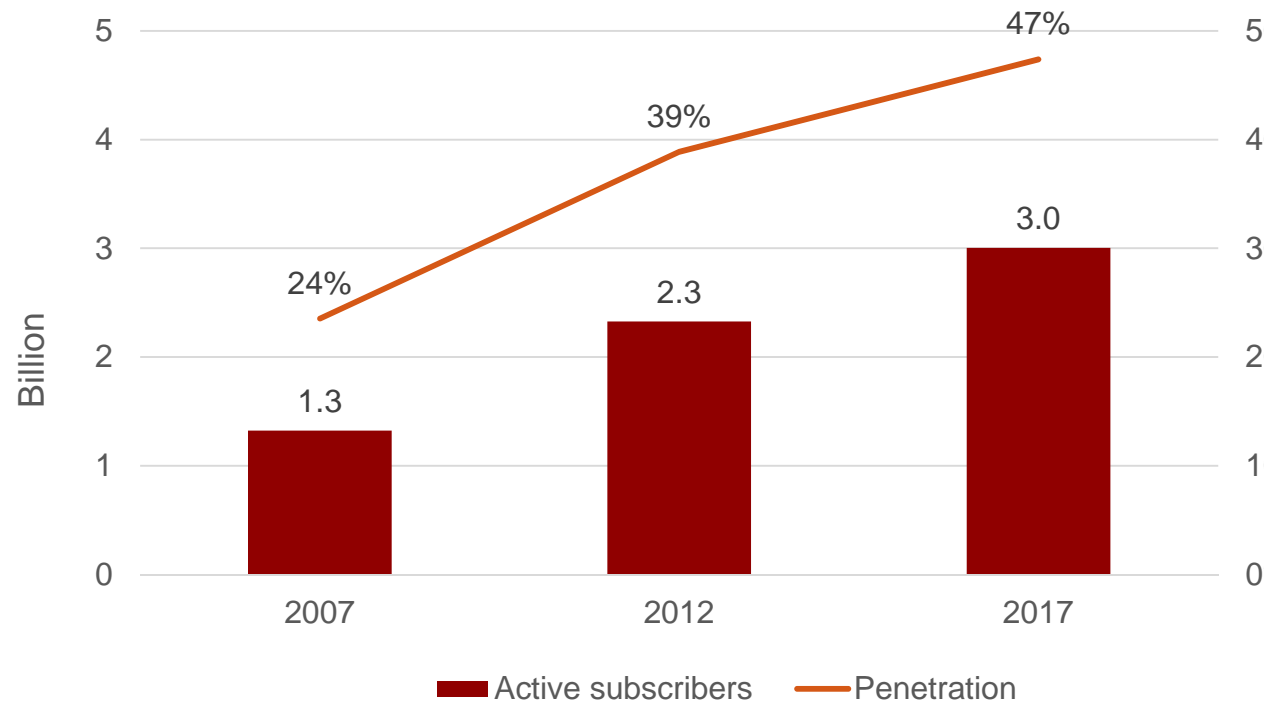
2bn

people without access to the financial system

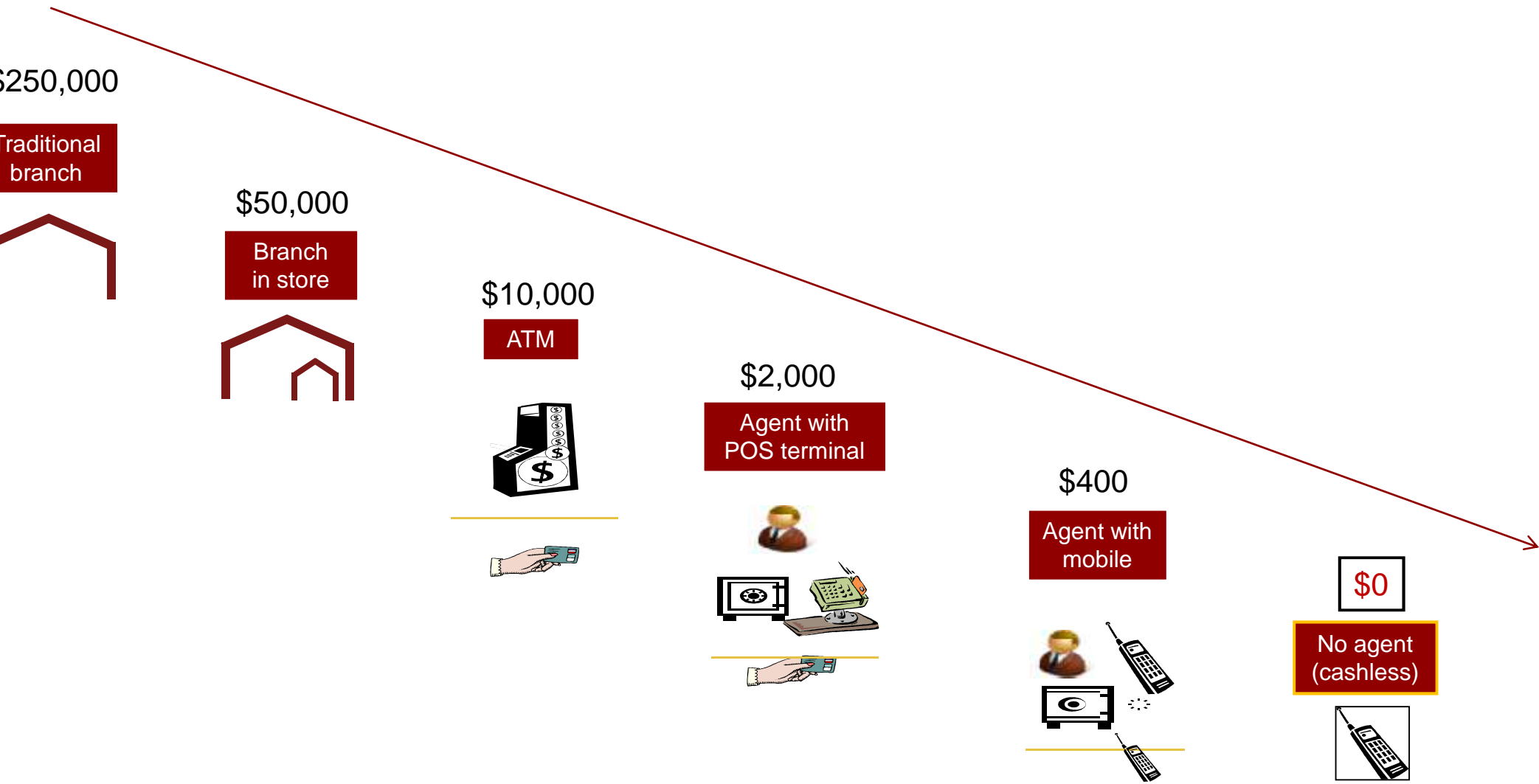


**3.6bn**

Unique mobile subscribers



# Mobile infrastructure is molecular and can be used to reduce the cost of the financial system infrastructure



Mobile Money can contribute to financial inclusion and broader development goals



Benefits:

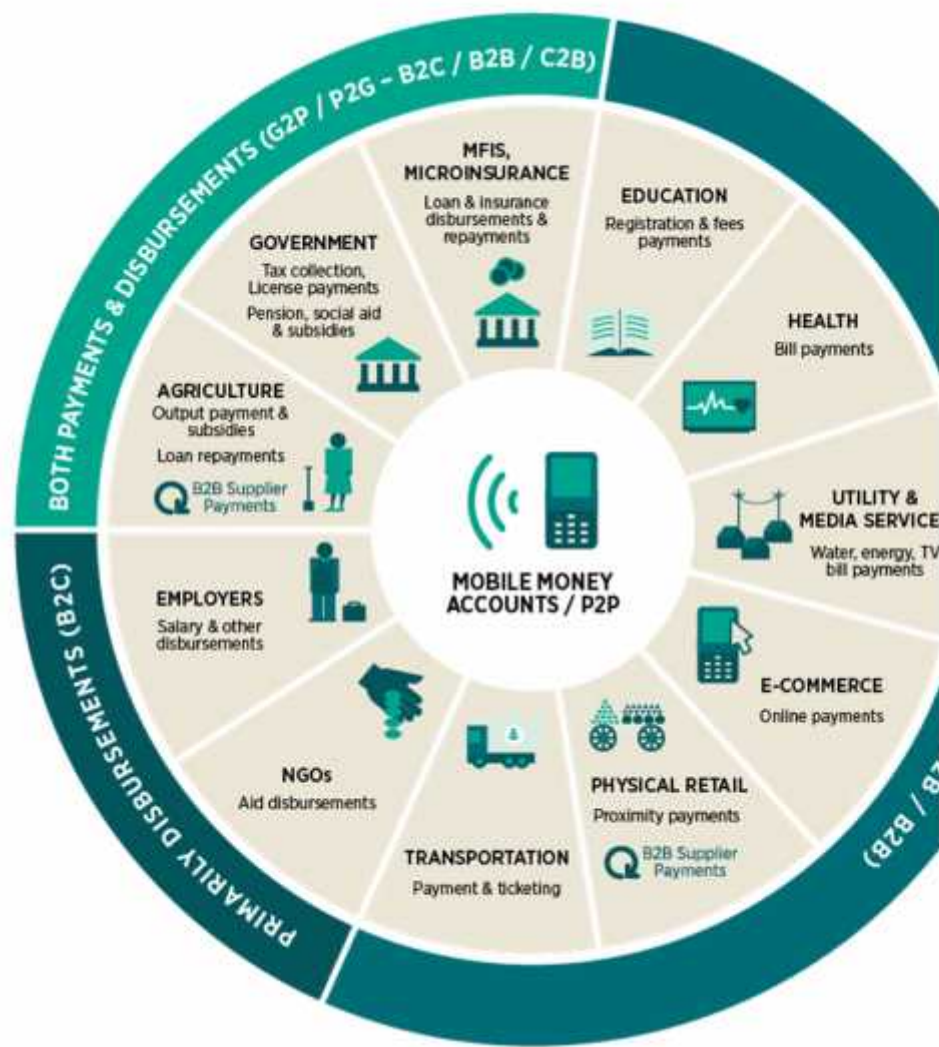
## Effective tissue of an economic system

Mobile Money enables people to collect payments, buy goods, pay for water and electricity, and send money to friends, family, and business partners; governments to collect taxes and disburse payments more efficiently; and suppliers to collect payments from buyers.

Key money:

## Imp for digital financial inclusion

Enabling digital payments and transfers is the first step to achieving universal access to a broad range of financial services such as savings, insurance, and credit and to improve the stability and safety of the financial system.



# 2014 Adoption Survey & State of the Industry Report



GSMMU's annual State of the Industry Report quantifies the state of the mobile financial services industry for the unbanked and enables service providers to benchmark their performance. Download the report [here](#).

The SOTIR is based on the 2014 Adoption Survey of 127 participants from 69 countries.

The Survey covers mobile money, mobile insurance, mobile credit and savings and quantifies the state of the industry.

Every year, mobile money providers supply a number of standardised operational metrics on a confidential basis.

Survey data is self-reported.

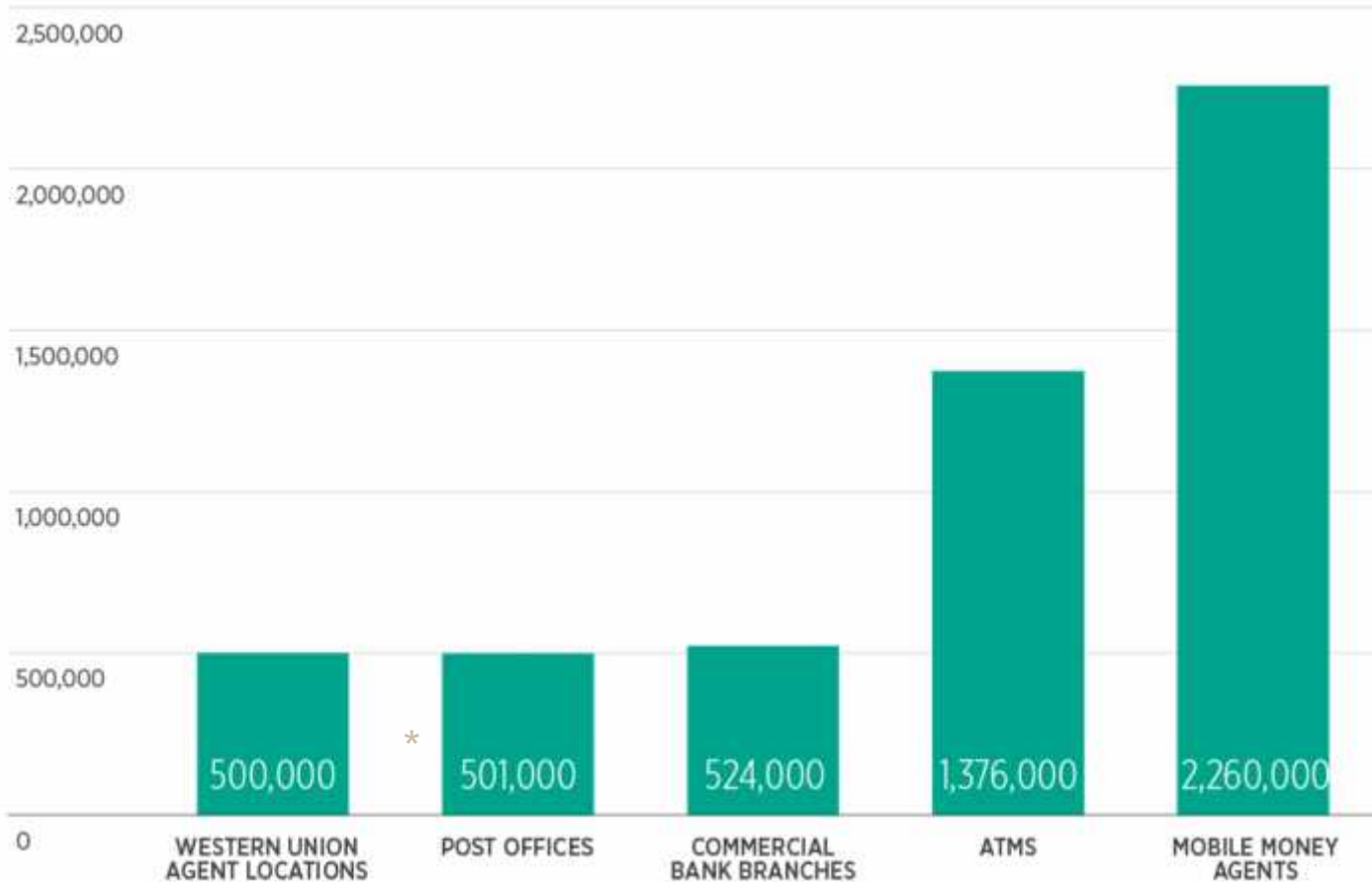


The number of mobile money accounts reached 299m in 2014, but there's room for further growth





# Mobile money is extending physical outreach: 5 million mobile money outlets globally



In **25** markets, there are more than **ten times** as many mobile money agents as bank branches.

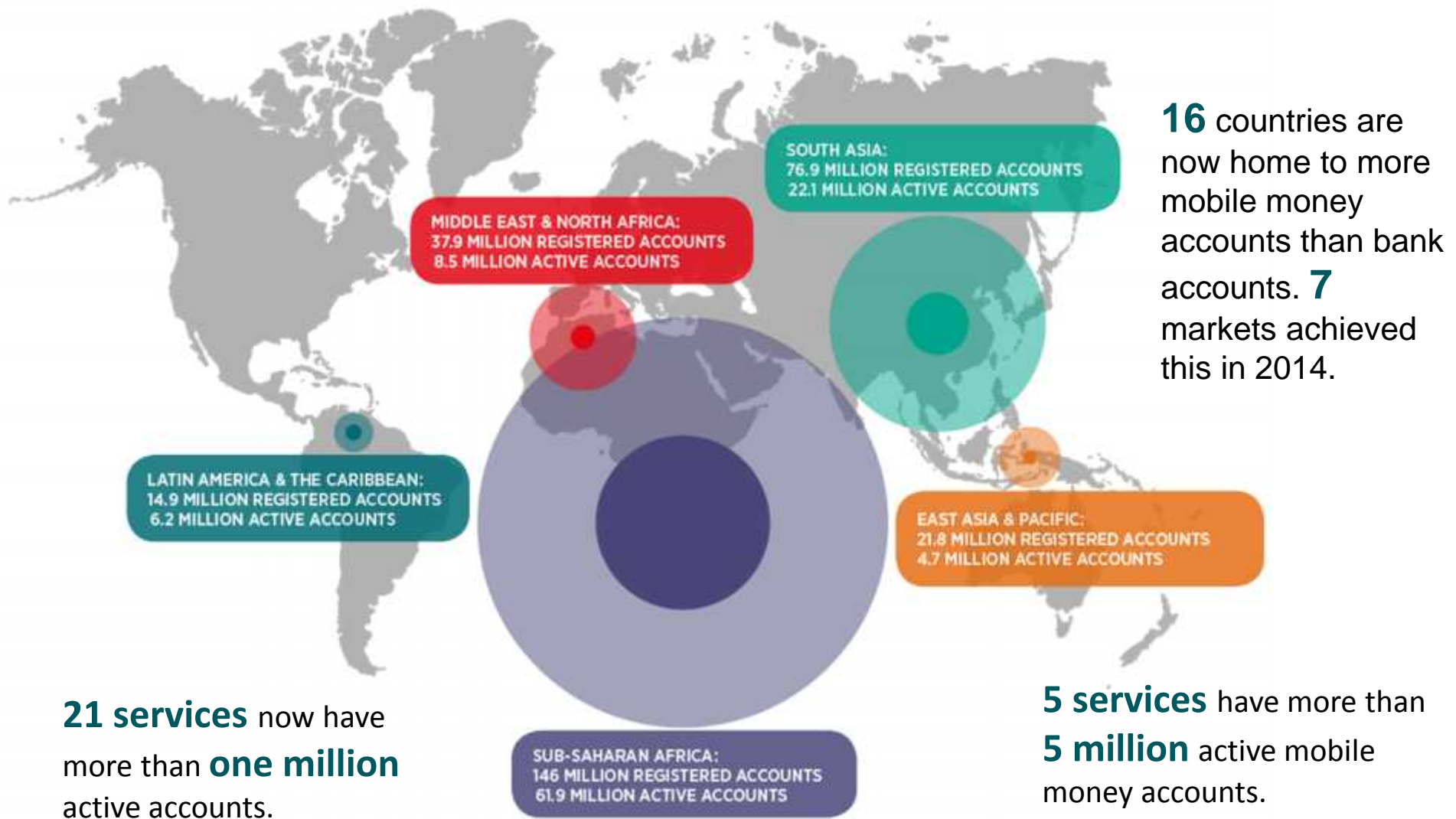
Agent activity rates remained constant at **60%** this year, with some variation across regions.

**Partnerships** are rapidly increasing the number of access points for mobile money.

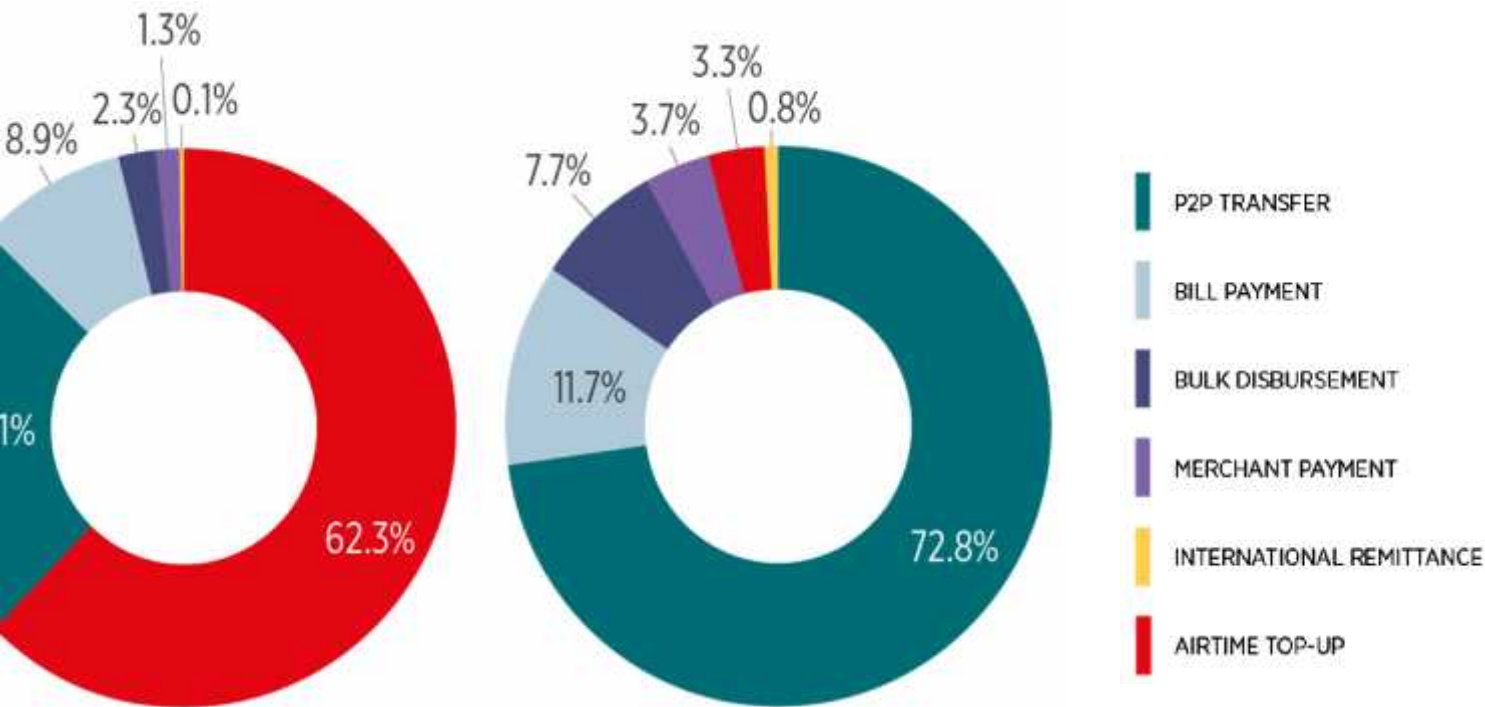
Number of financial access point across developing countries (Dec 2014)

\* Global

The industry is getting smarter about activating customers: there are 103m active accounts globally



December 2014, we recorded 717.2m mobile money transactions worth USD 16.3bn



Global product mix by volume & by value (Dec 2014)

- Domestic P2P & airtime top-ups dominate the global product mix in terms of volume & value
- Fastest growth in 2014 occurred in international remittance.
- 23.1% of all the value moved through mobile money in 2014 involved ecosystem players

---

# Industry developments & evolution

# **Ecosystem: Mobile insurance, savings, & credit in 2014**

State of the Industry

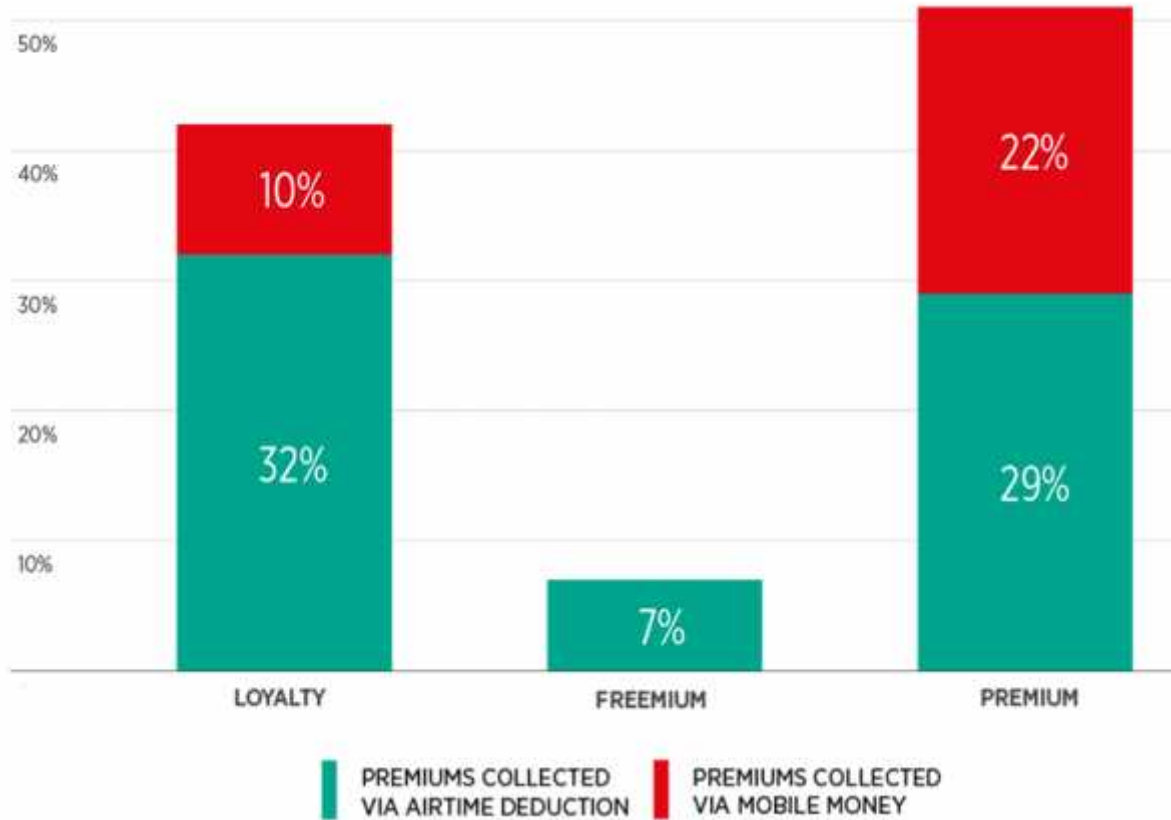
Mobile Financial Services for the Unbanked



...ing found sustainable commercial and partnership models,  
mobile insurance services are now scaling



**100** mobile insurance services are now live in **30** countries.



Commercial model for mobile insurance employed by survey respondents - (June 2014)

**5 services** have issued more than 1 million policies – these services all use loyalty or freemium models.

As of June 2014, **17 million** policies had been issued globally.

**73%** of services use the mobile channel for enrolment

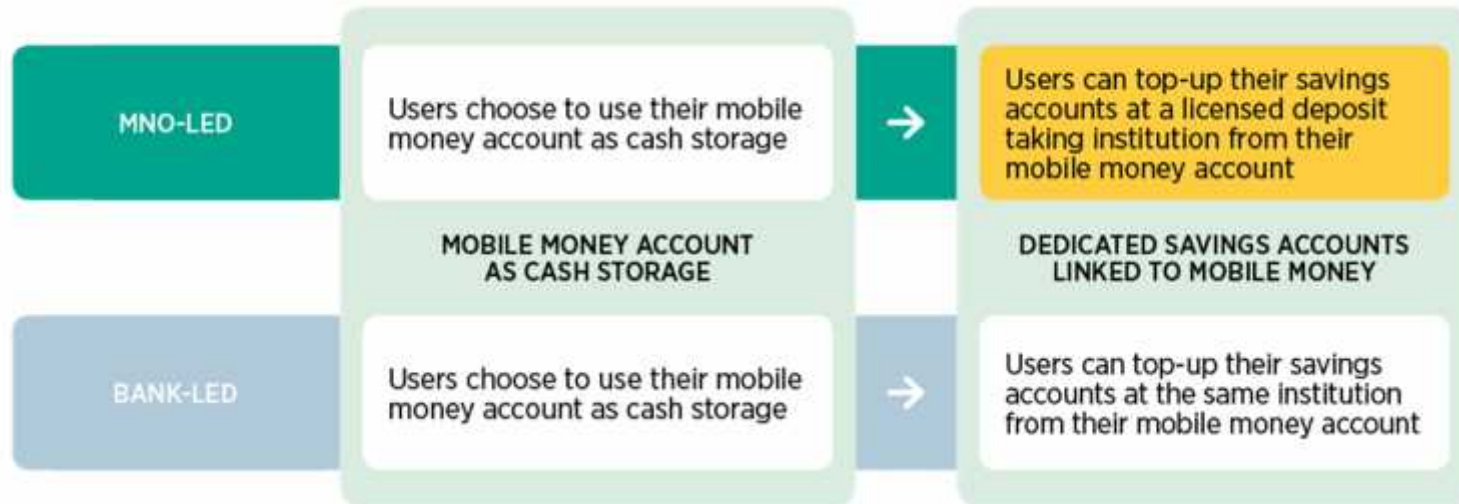
**96%** of providers use the mobile channel to collect premiums (55% via airtime, 41% via mobile money and 4% other).

# Financial services companies and MNOs are increasingly using mobile money infrastructure to offer savings facilities



- Conventional mobile money accounts are increasingly being used for cash storage: **54.5%** of mobile money accounts had a positive balance in June 2014.
- **10 million** dedicated mobile savings accounts have been opened worldwide.

## MODELS FOR MOBILE SAVINGS SERVICES



DEDICATED SAVINGS SERVICES OFFERED IN PARTNERSHIP BETWEEN MNOs AND FINANCIAL INSTITUTIONS

MNO-LED: MOBILE MONEY SERVICES OPERATIONALLY LED BY MNOs

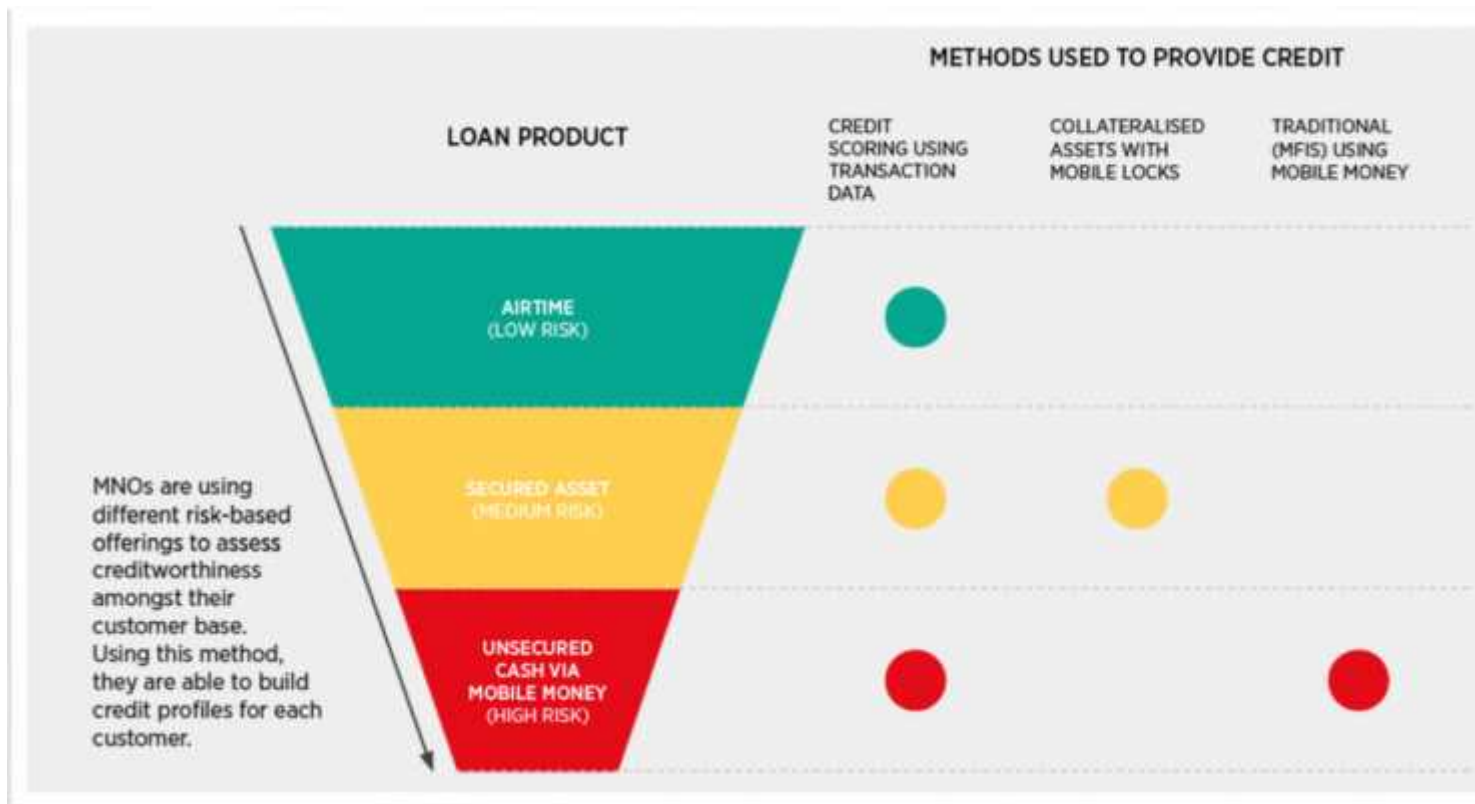
BANK-LED: MOBILE MONEY SERVICES OPERATIONALLY LED BY BANKS



growth was fuelled in part by new partnerships between MNOs and banks to provide mass-market short-term loans



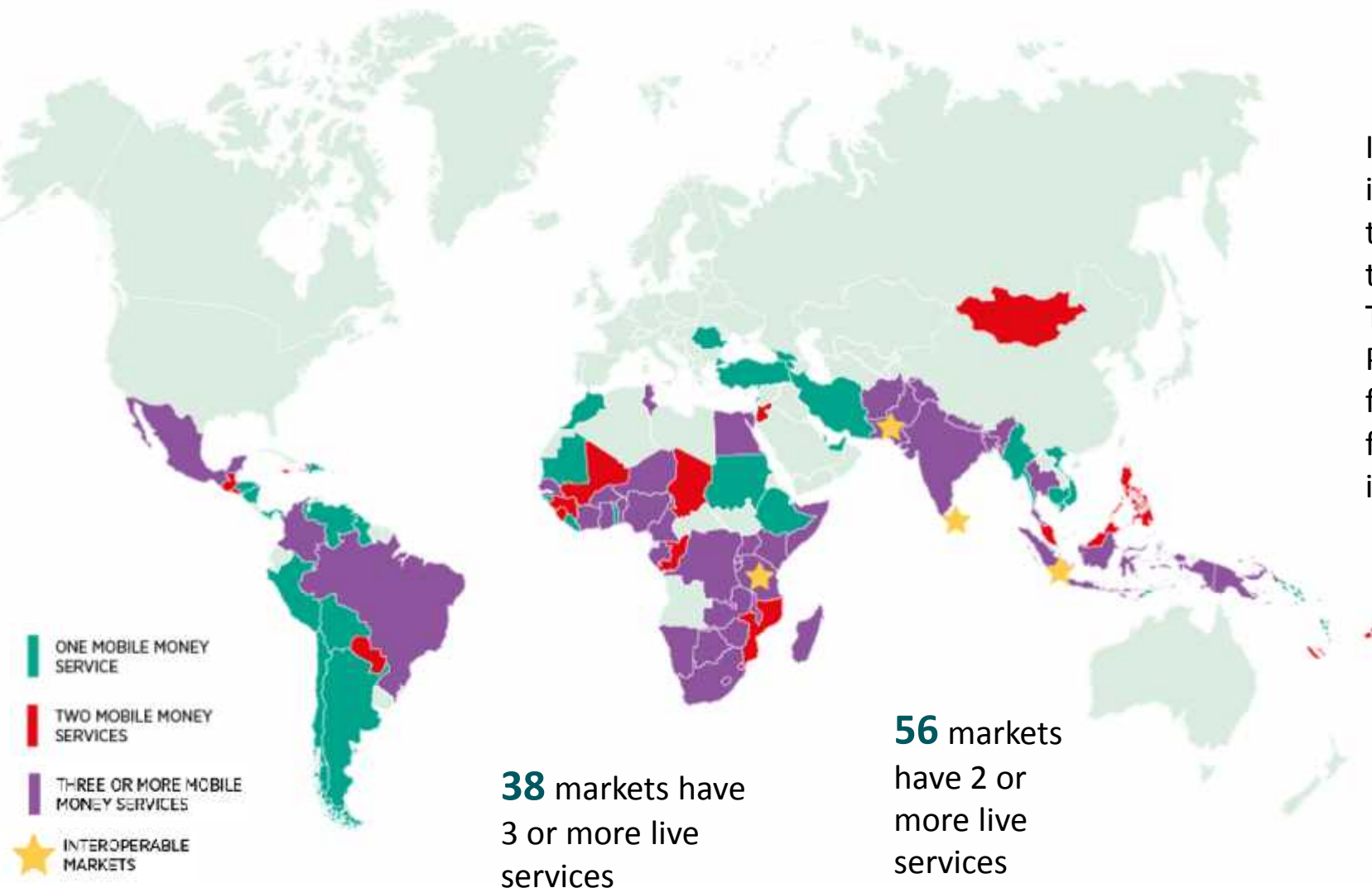
2014 saw a **50%** increase in the number of mobile credit services. This was fuelled in part by new partnerships between MNOs and banks to provide mass-market short-term loans, and by microfinance institutions and start-ups targeting specific segments within the underserved.



New credit scoring models using MNO data are starting to result in **lower numbers of non-performing loans** compared to traditional lending.



markets become increasingly competitive,  
MNOs are showing a growing interest in interoperable solutions



In 2014, MNOs interconnected their services in three markets – Tanzania, Sri Lanka, Pakistan – following in the footsteps of MNOs in Indonesia.

# Lessons for enabling mobile money interoperability



## Support a 'market-driven' approach to interoperability:

- Allow providers to decide when, how, and whether they will interoperate
- Recognize the resources and complexity of driving interoperability

## Carefully consider market readiness for interoperability

- Conducive regulatory environment: Is there an enabling regulatory environment that fosters competition and innovation while creating sufficient certainty?
- Maturity of each provider: Has each provider successfully established strong foundations
- Maturity of the market: How well developed is the market as a whole?
- Relative priority of interoperability for providers

## Encourage close & proactive engagement with the industry process

- To understand the benefits and risks of the different interoperability models,
- To understand the financial and operational elements of the solution the industry has chosen and build trust through the risk-management controls.

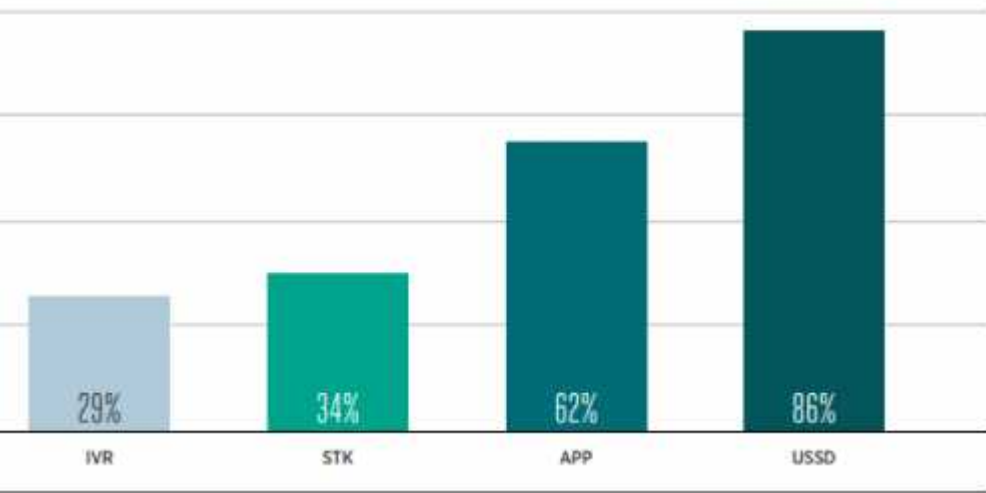
# Smartphone penetration offers a new opportunity for mobile money

Enhanced user experiences for mobile money: ease of use & easy to integrate

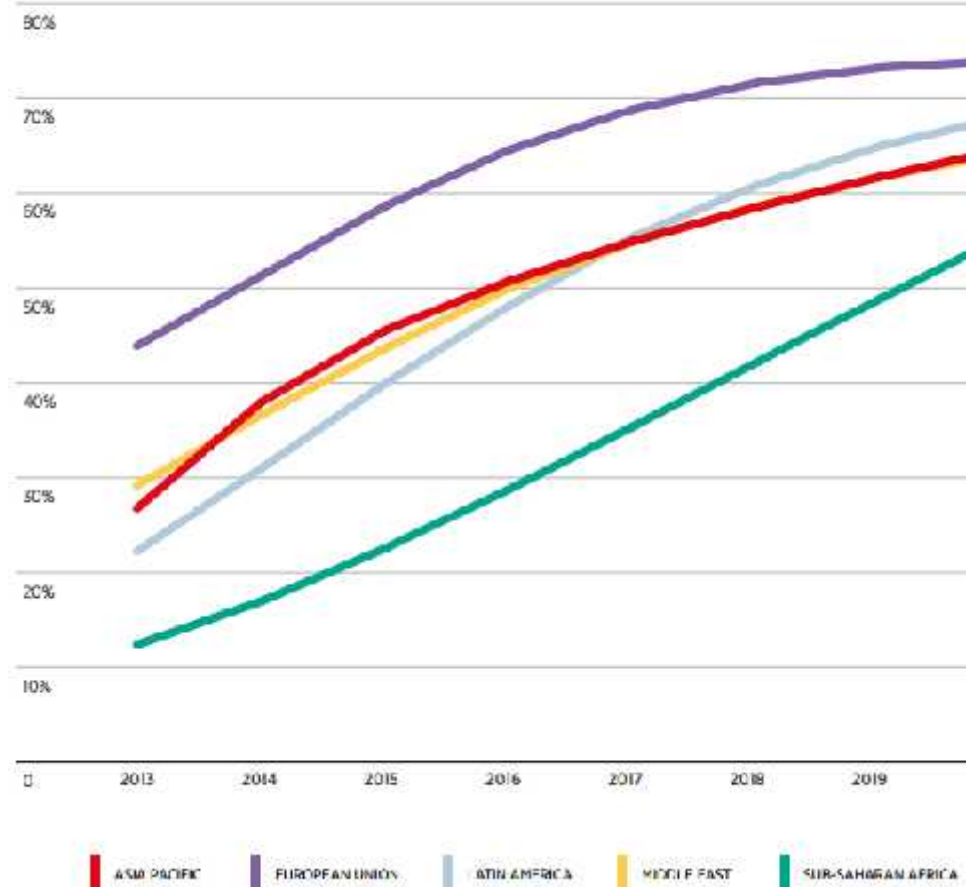
Low product development linked to mobile money accounts : Data analytics

Greater Competition: New players enter the market

SERVICES MOST COMMONLY OFFERED BY SURVEY RESPONDENTS (JUNE 2014)



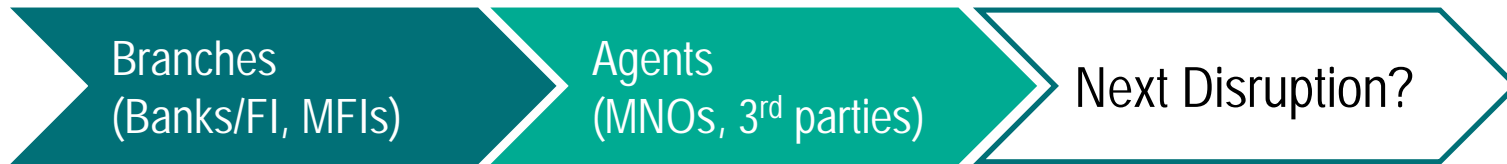
SMARTPHONE ADOPTION FORECAST BY REGION<sup>22</sup> (2013-2020)



New players are bringing the next 'disruption'...

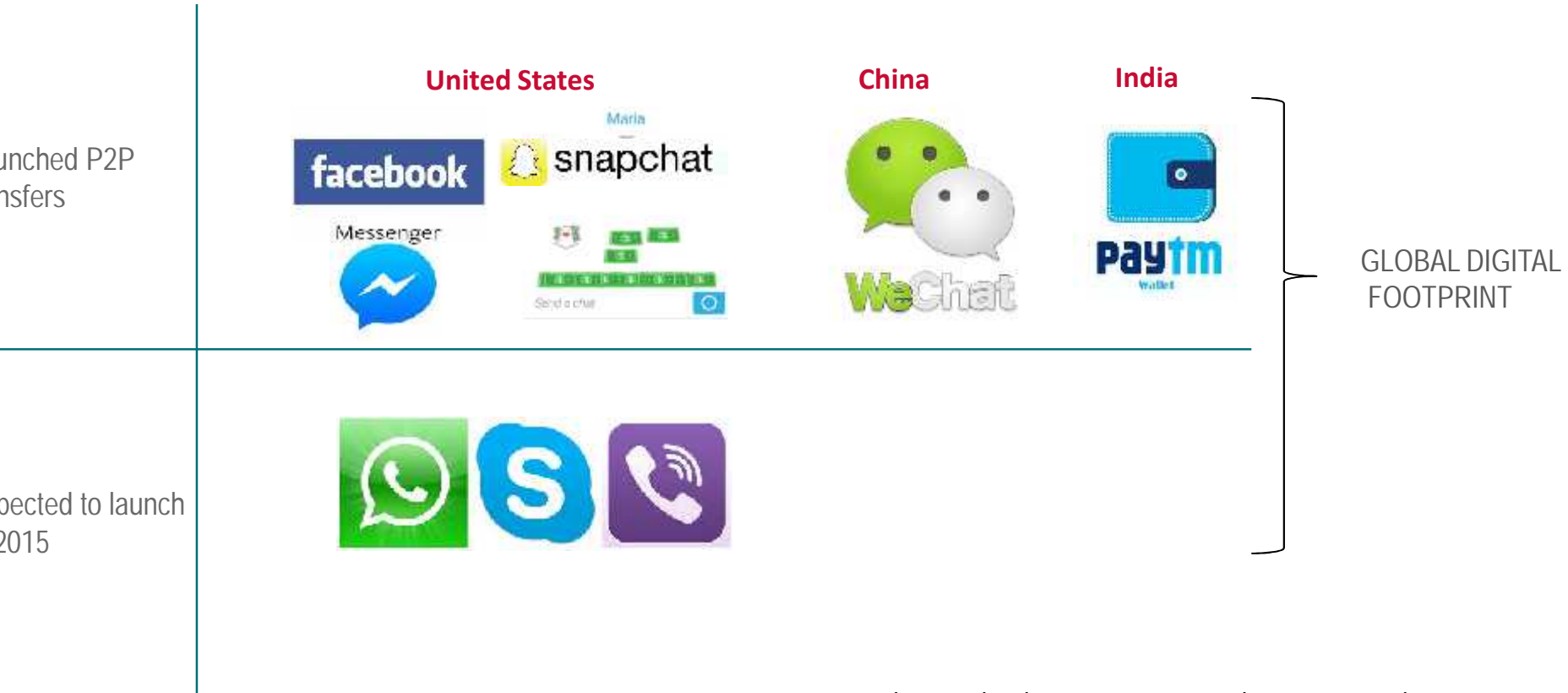
Mobile technology enabled an "asset light" approach to payments and financial services

Result: New players entered the market and reached new segments at a lower cost.



- (1) Smartphone penetration & OTT
- (2) The ecosystem play

# T players are changing the landscape....



- Huge potential reach due to smartphones and existing client base.
- Will they compete on distribution or target a different segment?
- Existing wallets can stay relevant through ecosystem development .

---

Enabling safe and secure mobile money



# Fundamentals: How is customer money being safeguarded?

---

Main risks posed by licensed non-bank mobile money providers can be successfully mitigated through prudent requirements that safeguard funds entering the system and meet customer demand to cash out electronic value

The non-bank mobile money provider does not intermediate the funds.

100% of the cash backing mobile money is held in a fully prudentially regulated institution, such as a bank or a MFI

Customer funds are set aside from the issuer's funds and protected from claims by the issuer's creditors: Legal mechanism such as a Trust (common law)

Other protection against bank insolvency: e.g.: Deposit Insurance, Diversification across multiple banks, Minimum capital requirements, Relative priority of funds held in trust in case of insolvency, Insurance by outside insurer

# How can mobile money customers be given more protection?

---

Simple market conduct regulation that promotes transparency

- Eg. Requiring agents to post fees, price disclosure for transactions, prohibiting agents from charging extra fees without clear disclosure

Potential for pass-through Deposit Insurance on e-float held in an insured institution

Require access to effective recourse and complaint procedures to resolve errors or disputes

Plain language, accessible/convenient, trusted, well-trained staff

Balance premiums and fees

Privacy and Data protection: Systems and controls exist to minimize unauthorized access to consumer information and loss of data

Consider costs of complying with this regulation:

- Should not be overly prescriptive, complex, or mandating standards and technology protocols that are expensive or impractical in low-income areas.
- Proportional to the risk profile of the product.



# The GSMA Code of Conduct for Mobile Money Providers: The 8 Principles

---



Mobile money providers (“providers”) safeguard customer funds against risk of loss

Providers have in place effective, proportional risk-based mechanisms to prevent, detect, and report the use of services for the purpose of money laundering or terrorist financing (ML/TF)

Providers screen, train, and monitor staff, agents and entities providing outsourced services to ensure that they offer safe and reliable services and comply with all relevant operational and legal requirements

Providers have well-developed policies and processes and sufficient network and system capacity to ensure reliable service provision

Providers take robust steps to ensure the security of the mobile network and channel

Providers communicate clear, sufficient, and timely information in a manner that customers can understand so that customers can make informed decisions

Providers have in place mechanisms to ensure that complaints are effectively addressed and problems resolved in a timely manner

Providers collect, process, and/or transmit personal data fairly and securely

## Potential & Landscape for Mobile Money: 2014 State of the Industry

- The industry is seeing gains for financial inclusion and payments as it continued to strengthen its foundations and moves towards ecosystem development.

## Industry developments and evolution

- Ecosystem development introduces valuable new products for customers facilitated by new partnerships which require renewed industry dialogue with the regulator.
- Interoperability is successful in 'ready' markets where the industry drives when, how, and whether they will interoperate, in close coordination with the regulator
- Existing mobile money providers remain competitive in the face of new players.

## Sustainability: Enabling safe and secure payments

- Can be achieved through a combination of proportional regulatory foundations for mobile money, holistic provider fraud and risk management strategies, and industry adopted principles.

# Questions & Discussion

---



Thank you



Ashish Gidvani

Mobile Money Regulatory Specialist, Asia

[agidvani@gsma.com](mailto:agidvani@gsma.com)

<http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked>