

Mobile financial service and Financial Inclusion

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Questions

1. Why do we need to consider Financial Inclusion?
2. Is Financial inclusion for only developing countries?
3. What is status of Korean MFS related to Financial inclusion?
4. What is different characteristics of Financial inclusion in developing and developed countries?
5. What do we need to consider for policy?

Trends to watch in MFS

Eco system

Existing companies + New entrant = Making new eco system

Technology

Bitcoin vs Bloc chain

Mobile

Mobile

Consumers are increasingly making purchases straight from their phones. According to a recent study by GPSopper, two-thirds of shoppers have at least three shopping apps on their phones, and seven percent of shoppers have more than 25 shopping apps downloaded.

Social Impact

Financial Inclusion

According to the World Bank, 2.5 billion adults worldwide are excluded from traditional banking services. A majority of these unbanked adults are based in emerging markets.

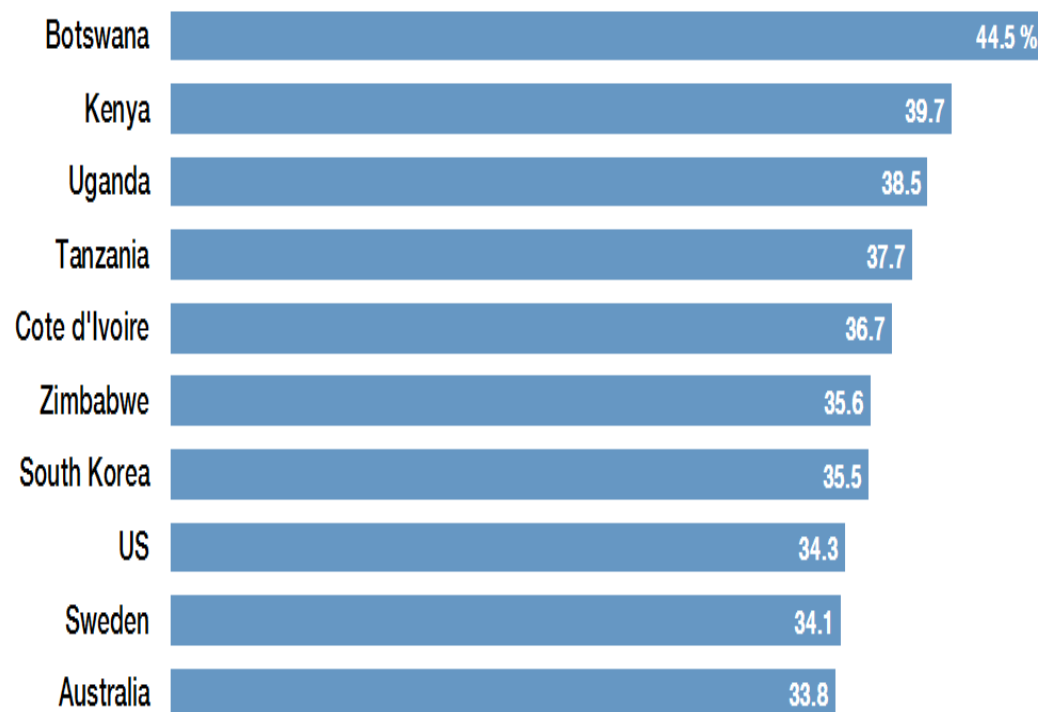
MFS and Financial inclusion

Where is mobile banking most popular?

% of account holders who made a transaction on a mobile, previous 12 months. 2014



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OF THE WORLD



Source: World Bank



- Data is from the World Bank's [Global Financial Inclusion Database](#)

- The graph is showing the percentage of financial account holders, aged 15 or older, who made a transaction using a mobile phone in the previous 12 months.

- It shows Botswana as the economy with the highest number of residents with a financial account who use mobile banking.

- Kenya is 2nd ranked and Uganda comes to 3rd rank completing an African 1-2-3 at the top of the list.

- South Korea is at the top as a non-African country.

- MFS is popular in developing countries



ITU BRIDGING THE STANDARDIZATION GAP

Financial inclusion in developing countries: Experience from M-Pesa

Observation on Usage

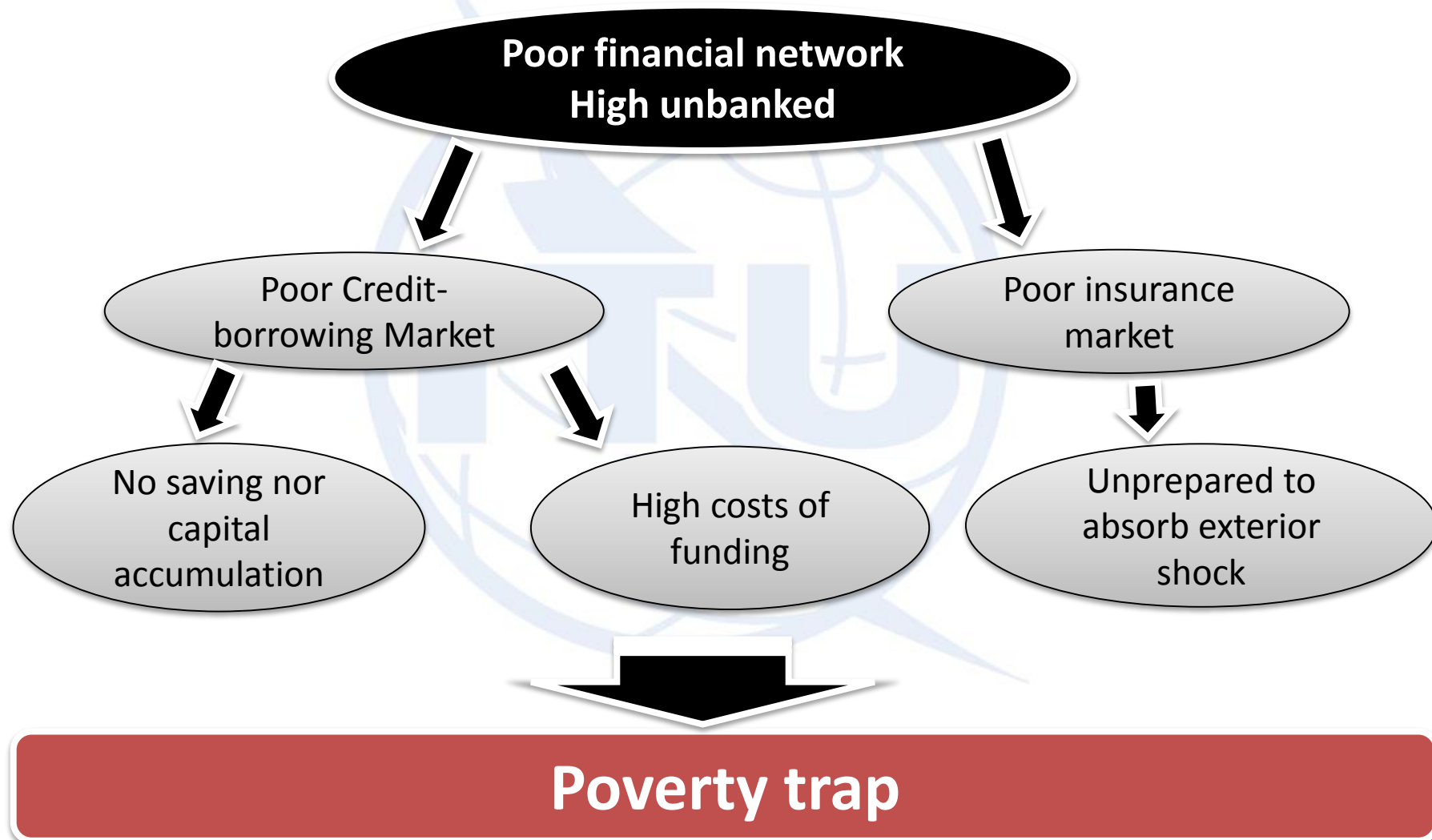
1. There are two types of users: urban senders, who are mostly men, and rural recipients, who are mostly women.
2. Urban users adopted M-PESA because it is cheaper, easier to access, and safer than other money transfer options. Urban users usually persuade rural recipients to also register with the service.
3. Barriers to usage for urban users include failed transactions and inability to get help from Safaricom. For rural users, barriers include cash float shortages.
4. M-PESA is used as a storage mechanism by both the banked and unbanked.

Financial inclusion in developing countries: Experience from M-Pesa

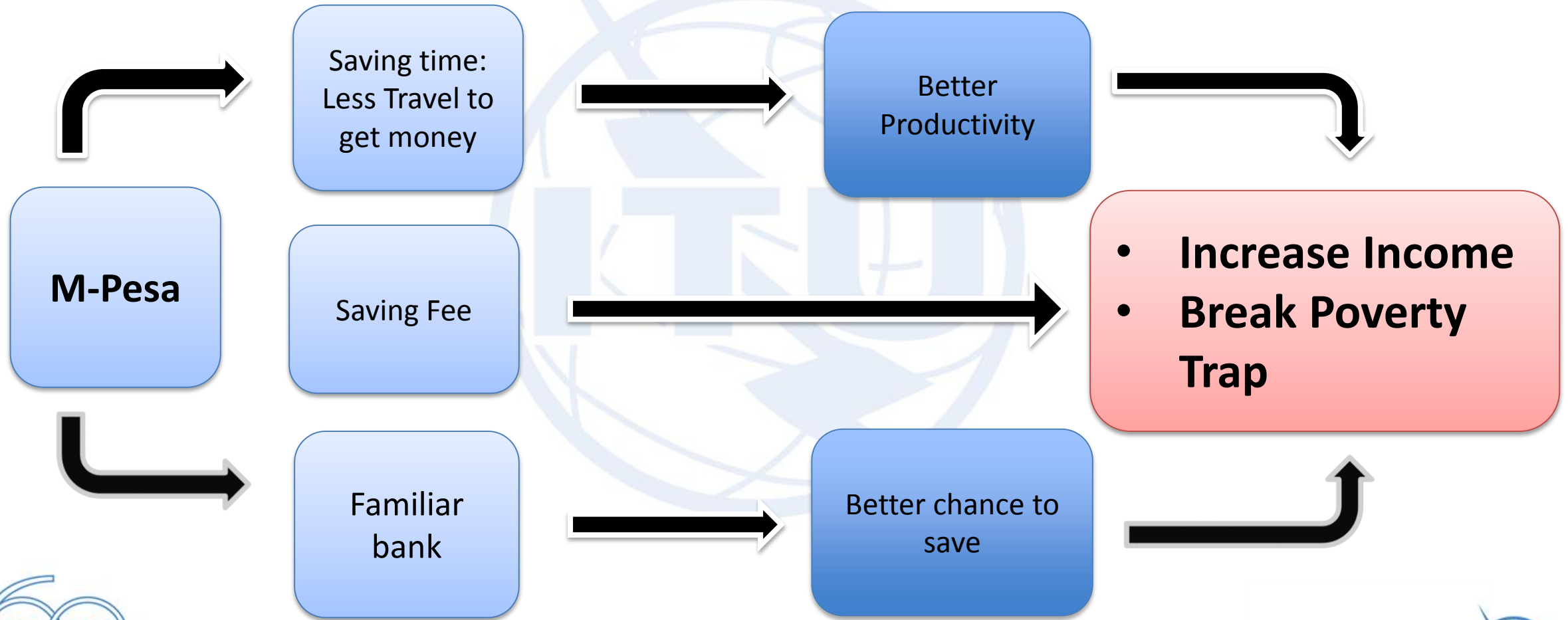
Observation
on
Impact

1. Users began to make smaller, more frequent transfers.
2. The income of rural recipients increased by up to 30 percent since they started using M-PESA.
3. M-PESA empowers rural women by making it easier for them to solicit funds from their husbands and other contacts in the city.
4. Urban migrants began to make home visits less frequently after adopting M-PESA.
5. Users are integrating M-PESA into their savings portfolio. As a result, savings patterns are changing.

Financial Inclusion and Poverty Trap



Financial Inclusion and Poverty Trap



MFS in Korea: Diffusion Status

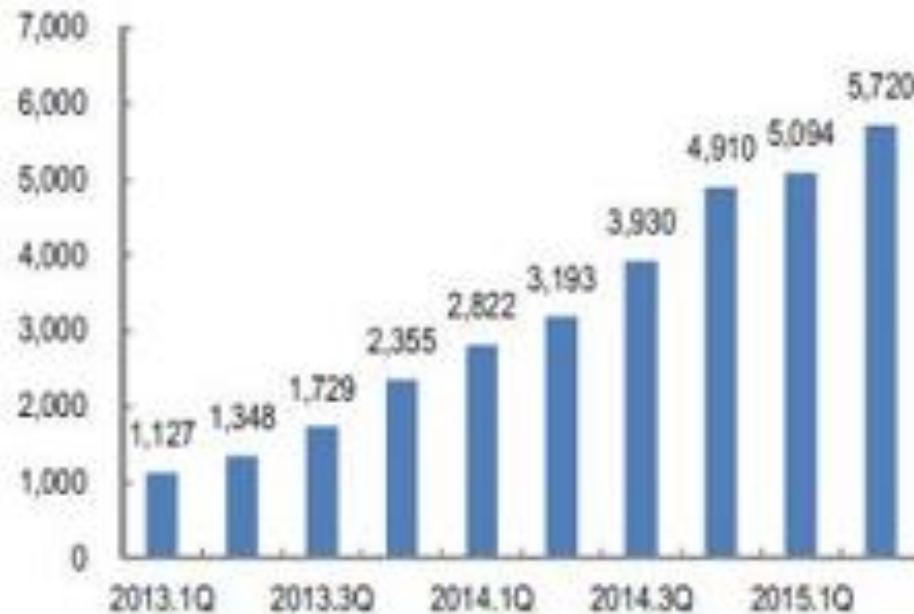
Consumer Survey on Fitech in 2015

Survey in 2015

66.3% recognize MFS

- 72% recognize MFS will be the primary industry of growth
- 74% of users of Fitech are satisfied

Trend of Payment market size in Korea (billion won)



- # of Startup in MFS
44 (May, 2015)
→ 360 (Nov. 2015)
- # of empolyee in MFS
24,300 (May, 2015)
→ 25,600(Nov. 2015)

MFS in Korea: Changes in Banking sector

1. Emergence of New type of bank - Internet bank

	K-Bank	Kakao Bank
Consortium	KT, Woori bank, Hanhwa Life Insurance, GS retails, Hyundai Securities company, POSCO ICT, Easy Welfare, Alipay, 8Percent, ...	Kakao, KB Kookmin Bank, eobay, 10 cents, Netmarble, Yes 24, ...
Core Services	Medium interest rate loan Easy payment Easy money transfer Robot Advisor	Medium interest rate loan Easy payment Easy money transfer

MFS in Korea: Changes in Banking sector

2. Existing Bank – Brick and Mortar Bank

Bank Name	Strategies
Shinhan Bank	Mobile wallet service
KB Kookmin Bank	convenient transmitting service: - smart OTP Increase collaboration with VC
NH Nonghyup Bank	smart watch – toward wearable banking
IBK Industrial and business Bank	Full banking app
Woori Bank	Messenger service “WEBEE TALK”
KEB Hana Bank	Hana Members – smart banking

**Responding to MFS
as followings:**

- **Reduce barrier**
- **Increase convenience**
- **Increase Channels**

**➔ Consolidate
Consumer groups**

MFS Biz trends in Korea

	Characteristics	Companies
Security Company	Stock investment + SNS	Stock plus for Kakao, Freecap, Snack
Asset Management (Investment)	Attract Small investor :Using robot, reduce costs and include small investors	KB Kookminbank Robo advisor
Loan (P2P)	Credit evaluation based on big data: New credit evaluation system, Medium interest rate, Crowd fund	8percetn, ledit, moneyacution...
Internet bank	Branchless online bank	K bank, Kakao bank
Payment	Smartphone	Samsungpay, kakaopay, naverpay, payco, paypal
Remittance	Friction free remittance: phone # is only the information required to transfer money	Transfer wire, toss, Gmoney

Financial Inclusion to watch in Korea

P2P loan:

Platform
for lenders
and
borrowers

Market grow sharply; 10mil us\$ (2015) from 3.6 mil us\$ (2013)

Interest rate is 4.9%-15% which is between bank's and private fund's.

Low incomers with low credits can get loan at lower interest rate and invest in their own business.

Financial Inclusion to watch in Korea

**Asset
manage
met:**

**Small
investmen
t is made
possible**

Robot advisor system.
Low minimum investment amount 4,000 us\$

Saving portfolio is differentiated.

Low incomers can have access to various saving
and investing accounts.

Comparison of Financial Inclusion by MFS

Developing Countries	Advanced Countries
More Physical access: Unbanked to banked	More opportunity: access to various bank services
MFS plays a role of bank branches to lower incomers.	MFS plays a role of an creator of new opportunity for lower incomers.
Basic bank services are provided.	Knowledge Intensive services are provided.

Policy Directions for MFS and Financial Inclusion

3 C's Policy

Contents

Cost Reduction

Lower costs provide bankers with incentives to support lower incomers.

Collaboration

New MFS that made social impacts have been made by collaboration of bankers and non-bankers.

One of success factor of M-Pesa is collaboration of banks, telecom operators and IT developers as well as government

Creation

MFS can reach to lower incomers by creating new services and through new methods. Robo advisor, credit evaluation by big data and so forth.
Innovation is very important.

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