

Prospects for Mobile Money in the Pacific: Focus on Samoa

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Pacific Financial Inclusion Programme (PFIP)

- Multi-donor, 4 year programme
- Aligned with Pacific Plan and endorsed by FEMM
- Focused on the largest Pacific Island Countries (Fiji, PNG, Samoa, Solomons, Tonga, Vanuatu)
- Small team located in UNDP Pacific Centre (Suva)



PFIP Desired Outputs by 2011

- Scalable or replicable projects, that are sustainable and target low income
- Improved market intelligence and reliable information on supply and demand to catalyze entry of new players into the market
- “win-win” partnerships, among FSPs and with other actors (telecoms, etc.) with lower cost delivery channels
- Better informed consumers and industry-wide commitment to consumer education and protection

Outcome: 250,000 more with new or improved access by 2011...

PFIP Instruments

Policy, Advocacy & Coordination

- Advocacy
- Strategies
- Donor Coordination
- Global linkages

Knowledge Generation & Sharing

- Market Research
- Baseline Data
- Demand Studies
- Meetings, Conferences
- Scholarships

Technical Assistance & Grants

- Product development
- Systems development
- Expert advice

Where does “inclusive finance” come from?

- Microcredit
 - Microfinance
 - Financial sector approach/access to finance
 - Inclusive finance
-
- Product
 - Institution with multiple products
 - Industry with multiple providers
 - Clients with multiple options

Three Challenges to Financial Inclusion

Scaling up quality financial services to serve large numbers of people (**scale**);

Developing the variety of products and services to meet the needs of the clientele (**scope**)

Reaching increasingly poorer and more remote people (**outreach**)

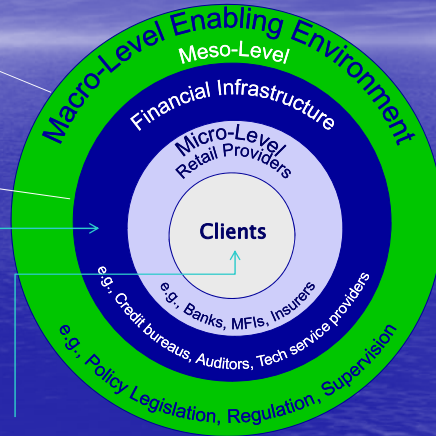
How to Build Inclusive Financial Systems

Policy, Legal & Regulatory
 Policy Environment
 National Microfinance Strategies
 Legal and Regulatory Framework

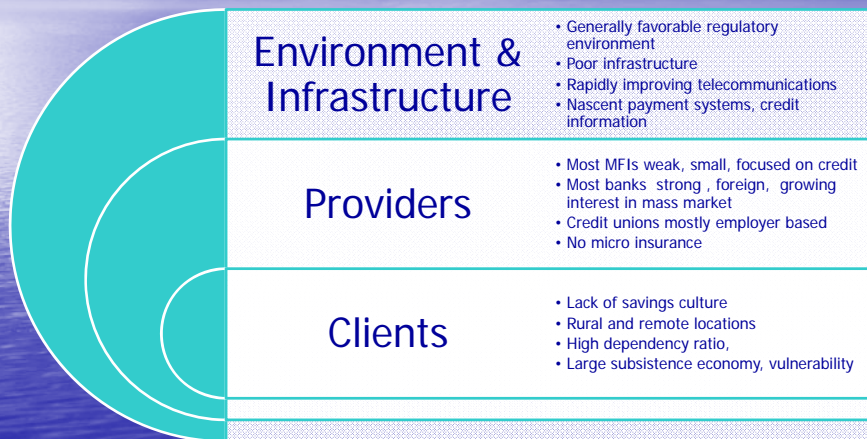
Financial Infrastructure
 • Institutional Support
 • Physical Infrastructure

Supply
 Commercial Banks,
 Non-Bank Financial Institutions
 Savings and Credit Unions,
 Credit Cooperatives,
 Postal Banks,
 Insurers,
 Remittance Companies
 Leasing Companies

Demand
 Low Income Households,
 MSMEs, Small-holder
 farmers, self employed
 women, Self Help Groups



Pacific Challenges



Branchless Banking

Remote or Rural

- Vans, motorcycles
- Mobile, Solar ATMs
- EFTPOS

Agent

- Cash in /Cash Out/ bill payment
- Account opening
- Client interface

Mobile Phone

- SMS information
- Payments or transfers
- Stored value or savings
- Full m-banking

What is mobile money?

- m-transfer or payments – transferring money via mobile phones
- m-commerce – utilizing mobile phone for purchases
- m-wallet – all of above, including a place to store (i.e. save) money separate from bank account
- m-banking – save, withdraw, receive loans, make payments linked to bank account



Definitions



- P2P – person to person transfer
- G2P – government to person transfer
- B2P – business to person
- ATM – automated teller machine
- EFT - electronic funds transfer
- POS –point of sale
- SMS- short messaging service
- USSD – unstructured supplementary service data

What can mobile money do?

- For clients
 - carry or store cash electronically
 - pay bills
 - transfer or receive money domestically
 - Remit or receive money internationally
 - Receive salaries, wages or other payment
- For business
 - Pay vendors, suppliers, or landowners
 - Reduce cash balances in stores, buyers
 - Increase store traffic
- For governments
 - Salary payments
 - Social protection payments

Models of Mobile Money



FACT:

77% of rural respondents note and income increase since adopting M-Pesa
-CGAP

OBSERVATION:

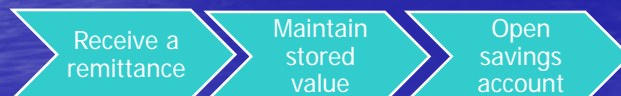
"The greatest challenge of launching a mobile money services is the new relationship that have to be established...how fast a mobile money service can grow is dependent on the strength of these relationships"

GSMA Study

- Current models
 - Bank-led (Wizzit, WING)
 - MNO – led (M-Pesa)
 - Joint Venture
 - Third party – IT, Distributor
- Pacific Initiatives
 - BSP SMS banking
 - EsiPay (PNG)
 - Others ready to launch...

Why does mobile money matter?

- March 2007 - Safaricom launches M-PESA
- May 2008 – 2.7 million users and 3,000 agents
- May 2009 – 7 million users and 10,000 agents
- Demand is high
- It is scalable – no clear limit
- Real and opportunity cost savings are great
- Rural income increases (mostly women)
- Urban savings increases
- It is the first step for many for financial inclusion



Business model drivers

- Banks
 - Lower cost platform (than ATM)
 - Reduce ATM and branch traffic
 - Reduce funding cost
 - New customers
 - Transaction revenue
 - Can reduce bank transfer revenue

→ *Primarily defensive niche channel strategy*
- Telco's/Distributors
 - Facilitate sale of pre-paid airtime
 - Increase data usage
 - Decrease churn (increase "stickiness") on pre-paid voice customers
 - Leverage airtime distribution channels
 - Give agents new revenue stream
 - Not usually allowed to keep float

→ *Offensive marketing strategy*
- Third party
 - transaction fees
 - licensing software
 - serve corporate clients
 - May keep float

→ *Business proposition*



Mwallet Registration

Stringent:

- Each subscriber intending to use Mwallet services is required to first register for the service.
- Registration can be done through an authorized Mwallet Agent. The subscriber is providing their mobile number and their identification card.

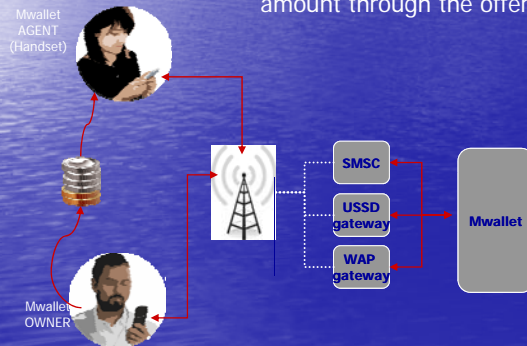
Simple:

- For low amount prepaid accounts ID procedure without ID-card is possible

Mwallet Agents can have different authorization for registration and cash levels

Cash In

- Enables a subscriber to convert cash into Mwallet account balance
- Done through an authorized Mwallet Agent
- The money is added to the Mwallet account maintained by Mwallet system
- After Cash In is done, the subscriber can use that amount through the offered services.



Cash Out by Registered Mwallet user

Withdraw cash against the Mwallet balance by self-initiated transaction

The process flow:

- ➔ Mwallet user walks up to an authorized Mwallet agent
- ➔ User then sends a request for Cash Out with parameters:
 - Agent ID
 - Cash Out Amount
 - Mwallet PIN
- ➔ Mwallet system receives the request and performs validation
- ➔ It then sends a message to the agent to confirm the Cash Out transaction.
- ➔ On receiving the confirmation, M-wallet system does the M-wallet account transfer from sender to the reseller
- ➔ A confirmation response is sent to both user and agent along with the Transaction Id and respective new balances

Mwallet to Mwallet transfer

- Balance transfer across Mwallet accounts
- Similar to peer-2-peer transfers

Process flow:

- ➔ A Mwallet user sends a request with receiver's ID, amount and PIN
- ↓ System receives the transactions and confirms the receiver is a Mwallet user
- ↓ It then performs a Mwallet-to-Mwallet transfer
- ➔ Sends a confirmation message to both with the Transaction Id and respective balances

Lessons Learned

- Usage
 - Recurrent transfers (family support) are "bread and butter", with one-off transfers growing
 - Transfers become smaller, more frequent
 - Urban usage drives rural registration
 - Nearly 50% maintain a balance for accessibility
 - Savings becomes more frequent, grows
- Trust in technology is high
- Trust in the offerer varies, early experience matters
- Mobile penetration must and must be with larger MNOs
- Agent incentives must be adequate
- Work within cash movement

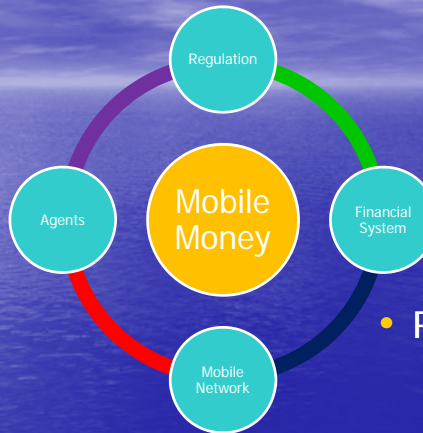
Vodacom M-Pesa (Tanzania)



- Worked through larger aggregators and independent agents
- Priced on a scale to attract smaller, more frequent payments
- Link registration to SIM and phone purchases
- Recurring remittances are a good starting point
- Early users hear through advertising, later from word of mouth
- Financial literacy is a constraint, marketing needs to educate

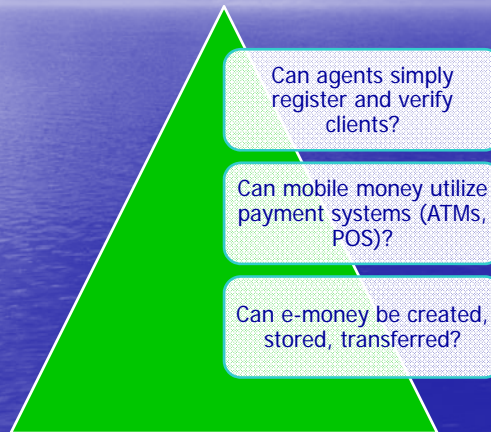
Partnerships

- MNOs
 - Platform
 - Hardware
 - Low cost
 - Geographic outreach
 - Distribution network
- Donors
 - Capital
 - Technical Assistance
 - Advocacy



- Banks/MTOs
 - Cash movers
 - Banker to agents
 - Banker to MM operator
 - Linked bank accounts
- Regulators
 - E-money regulations
 - Agent regulations
 - KYC relaxation

Regulatory Questions



Mobile Money Remittances

- Smart Padala
 - 1 million regular users
 - \$50 million/mo.
 - Link with international remittance companies in target countries
 - Provide the “last mile” through SmartMoney domestic services
- M-Pesa, partnership with Western Union
- G-Cash, own offices, local partners

Mobile Money and Emergencies

- Red Cross Haiti Effort
 - Text 90999 with participating MNOs post paid users
 - Enter up to \$10, for up to 12 months
 - Amount is added to the mobile phone bill
- Kenya
 - Drought stricken area
 - Families provided with mobile phones and numbers
 - Relief transferred by cash, available at Post Office
 - Builds market for domestic goods

Opportunity

- Low level of savings
- High mobile penetration in Samoa
- High level of remittances
- Interested regional players (banks, telcos, distributors) who could work in multiple countries
- High and growing level of ATM, POS in most countries
- Interested regulator

Next Steps for the Samoa?

- Build relationships Look at cash movers outside of Apia
- Leap frog technology (e.g. no ATMs or POS)?
- Catalyze system with government and business payments
- How to tap quickly into remittance market
- Enabling regulation and policies

Ideas?

- Why would people want to move or store money? What market research is needed?
- Who are the major money movers?
- Who has the best distribution network?
- What regulations do we need to change, create?
- What policies could incentivize mobile money?