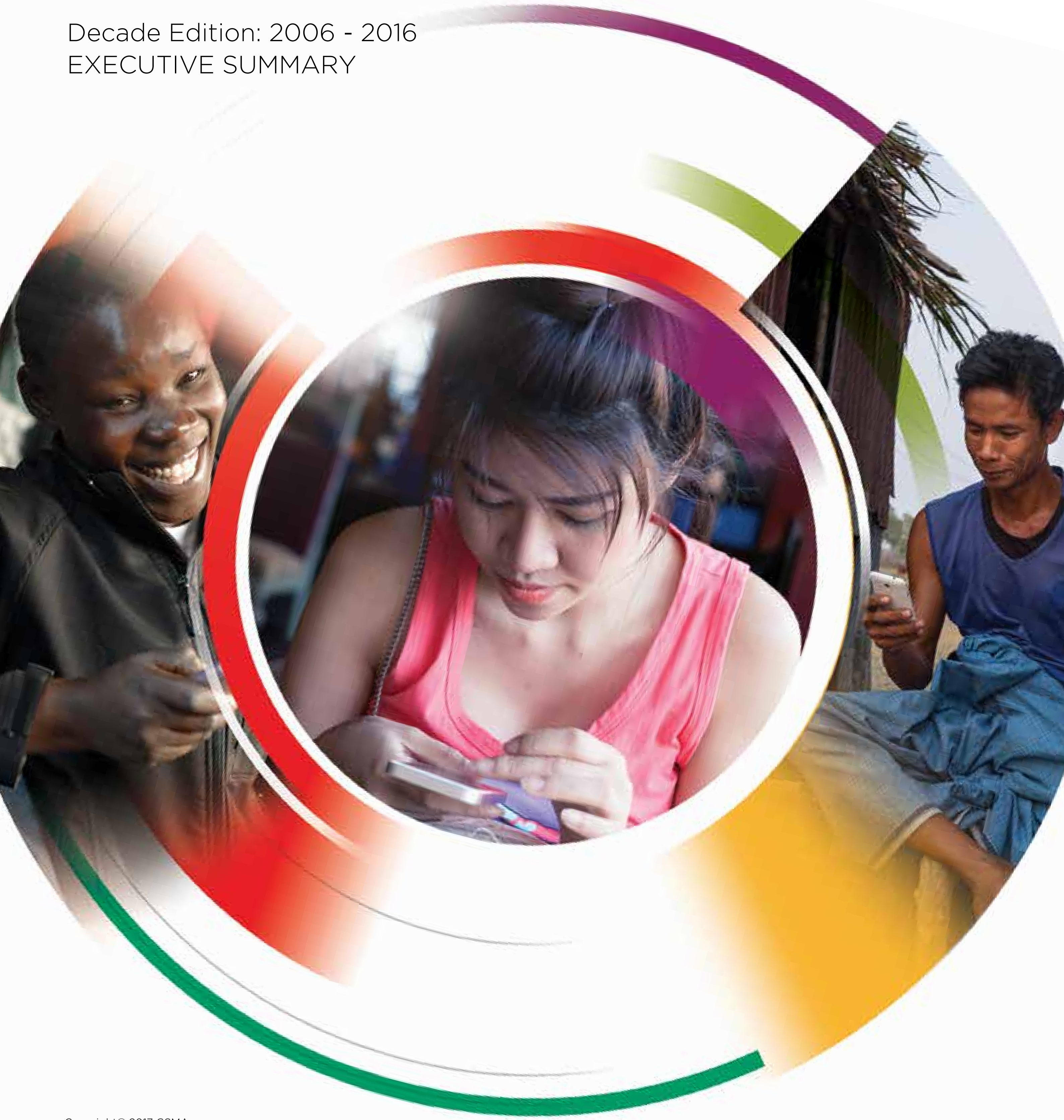
State of the Industry Report on Mobile Money

Decade Edition: 2006 - 2016

EXECUTIVE SUMMARY



The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operator with almost 300 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences.

For more information, please visit the GSMA corporate website at www.gsma.com.

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Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

For more information, please contact us:
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THE MOBILE MONEY PROGRAMME IS SUPPORTED BY THE BILL & MELINDA GATES FOUNDATION, THE MASTERCARD FOUNDATION, AND OMIDYAR NETWORK

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OVERVIEW: 2016 AT A GLANCE

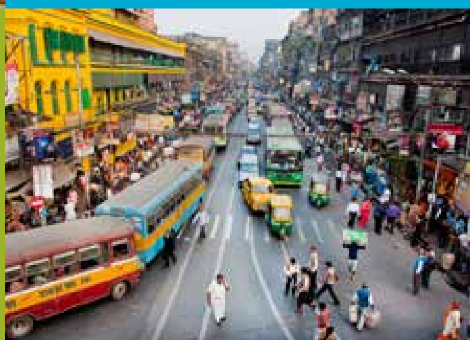
MOBILE MONEY
is available in TWO-THIRDS of low- and middle-income countries

REGISTERED ACCOUNTS SURPASSED
HALF BILLION
IN 2016

IN DECEMBER 2016, THE INDUSTRY PROCESSED MORE THAN
US$ 22 BILLION
IN TRANSACTIONS

Mobile money providers are processing an average 30,000 transactions per minute, or more than
43 MILLION
PER DAY

118 MILLION
accounts were active (30-day) during December 2016



35 deployments had
MORE THAN A MILLION 90-DAY ACTIVE ACCOUNTS
in December 2016

In 2016, total revenue for the top providers SURPASSED
US$ 1 BILLION

In Sub-Saharan Africa, there were 277 million registered accounts in December 2016—MORE THAN THE TOTAL NUMBER OF BANK ACCOUNTS IN THE REGION

MORE THAN 40%
of the adult population in Kenya, Tanzania, Zimbabwe, Ghana, Uganda, Gabon, Paraguay and Namibia are using mobile money on an active basis (90-day). This is an increase from just two countries in 2015 (Kenya & Tanzania).

MOBILE MONEY IS STRENGTHENING THE BANKING INDUSTRY
Between September 2015 and June 2016, the volume of flows to and from bank accounts grew more than
+120%

2016 was a milestone year for the mobile money industry. While mobile money has been around since 2001, when the first service launched in the Philippines, 2007 was a watershed moment for the industry. The launch of M-Pesa in Kenya that year and the lightning pace of customer adoption demonstrated the power of mobile money to reach the underserved. Looking back to where it all started helps us to see just how far the industry has come.

Mobile money has become a global story...

Over the past decade, mobile money has gone from a niche product in a small number of markets to an emerging market phenomenon. There are now 277 services live across 92 markets, including two-thirds of low- and middle-income countries. Registered accounts grew nearly six-fold in the five years following 2011, crossing the half a billion mark in 2016.

There is still no better way to reach people in remote areas with financial services than through the growing network of mobile money agents. Agents provide a local and physical connection to a national digital service, responsible for educating new customers, upholding regulatory standards, and interfacing with the cash economy. In 2016, there were more than 4.3 million registered agent outlets, of which 2.3 million were active on a monthly basis. Thirty markets now have ten times more active agents than bank branches, bringing mobile money within reach of millions of unbanked households.

...and more relevant to people's daily lives

Customers are using their accounts more often, as network effects take hold and new opportunities to use mobile money emerge. At the end of 2016, 174 million accounts—nearly a third of all registered accounts—were active on a 90-day basis, while 117 million accounts were active on a 30-day basis. Ten years earlier, less than nine per cent of the 6.6 million registered accounts were active. In eight countries, more than 40 per cent of the adult population were actively using mobile money in 2016. Just one year earlier, in 2015, only two markets held this distinction.

Moreover, while Sub-Saharan Africa has led in active accounts over the past decade, the future could look different: In 2016, 40 per cent of all new registered accounts were from South Asia, where registered and active accounts grew at the same rate. Mobile money providers are processing an average of more than 43 billion transactions a day, and in December 2016, the industry processed more than US$ 22 billion in transactions.

Mobile money is no longer just for sending money home...

The tag line "Send Money Home" first captured imaginations in Kenya and, while peer-to-peer transfers (69 per cent of transaction values in 2016), and airtime top-ups (61 per cent of transaction volumes in 2016) are still the main ways people use their accounts, the options are quickly expanding. International remittances, bill payments, merchant payments, and bulk disbursements represent an expanding ecosystem of mobile money enabled transactions - which quadrupled between 2013 and 2016. At the end of 2016, there were 46 live international remittance corridors across 21 countries where senders and receivers could transact using mobile money. In markets such as Pakistan and Mexico, the ability to make utility bill payments and receive government benefits, respectively, are the initial drivers of mobile money adoption.

...or even just for payments

Over the past decade, innovative partnerships have expanded the service from a simple means of payment to a platform for offering more sophisticated financial services, including credit and insurance. This transformation has supported deeper financial inclusion by providing people with the tools to better manage financial risks. In 2016, 106 mobile-enabled insurance services in 31 countries collectively issued 52.7 million policies. On the credit side, there were 52 live mobile money-enabled credit services in 2016, up from just seven services in 2011. Mobile credit is particularly prevalent in Sub-Saharan Africa, where the mobile money industry is relatively more mature. For example, the Commercial Bank of Africa disbursed US$ 495 million in loans in Kenya in 2015 through M-Shwari, with a non-performing loan ratio of two per cent[1] (significantly lower than global and regional ratios).[2]

Mobile money has proven that it can make business sense...

Hundreds of mobile money services have been established over the past decade, although not all have been profitable. It is clear that the mobile money recipe is difficult to get right. It requires sustained investment, operational excellence, a drive to digitise a growing ecosystem of payments, and a supportive regulatory framework. Where these factors converge, experience has shown healthy returns are possible. In 2016, 35 services had more than one million active accounts, compared with just two services in 2010. Collectively, the top ten providers brought in over a billion dollars in revenue last year. The slowing rate of growth of new deployments and consolidation in the mobile industry suggests a move towards greater consolidation in mobile money in the years to come.

...but conditions, especially regulation, need to be right

Ten years ago, the idea of regulating non-banks directly to provide payment services was considered by many to be bold and risky. Today, policymakers and regulators in nearly every successful mobile money market have taken this approach, thanks to a rich international dialogue on financial inclusion and evidence. In 2016, the GSMA, in partnership with a Harvard Business School professor and an independent economist, conducted the first-ever large sample quantitative analysis of mobile money success factors.[3] The study, which controlled for all significant market conditions, showed clearly that markets with enabling regulation, including direct regulation of non-banks and a risk-based approach to registration requirements, enjoyed greater success. In 2016, 52 out of 92 countries with mobile money services had an enabling regulatory approach.

Mobile money is increasingly integral to the wider financial ecosystem...

Mobile money started off as an isolated tool in many countries, allowing people to send and receive money within the system, but remaining largely separate from other sources of digital funds. That has changed. In 2016, 45 per cent of mobile money services were connected to at least one bank. From September 2015 to June 2016, mobile money-to-bank account transactions increased more than 120 per cent amongst Global Adoption Survey respondents.

In addition to interoperability with banks, mobile money account-to-account interoperability is strengthening the integration of different services. Today, interoperability between mobile money providers is live in 15 markets. Data on the impact of interoperability is limited, but early insights from Tanzania suggest that it has sparked a modest uplift in transactions.[4] Cross-border interoperability to facilitate international money transfers is also a fast-growing trend.

[1] Genga, B. (2016). Kenyan Lender CBA to Take Mobile-Bank Service Deeper Into Africa. Bloomberg.
[2] World Bank Group. Bank nonperforming loans to total gross loans (%). International Monetary Fund, Global Financial Stability Report.
[3] Naghavi, N., Shulist, J., Cole, S., Kendall, J. and Xiong, W. (2016). Success factors for mobile money services: A quantitative assessment of success factors. GSMA.

...and to the pursuit of broader development goals

While there is no doubt that mobile money has driven financial inclusion over the past ten years, for many, it has meant much more than access to an account. The ability to store money digitally has helped people to feel safer and more empowered, and created new opportunities to earn money and launch new ventures. Mobile money is playing a role in 11 of the 17 United Nations Sustainable Development Goals (SDGs). Goal 1, for example, calls for an end to poverty. Recent research has shown that, in Kenya, two per cent of households were able to escape extreme poverty thanks to mobile money. Moreover, 185,000 women were able to expand their occupational choices, moving from subsistence farming to business or retail sales,[5] helping to advance the world toward SDG 5, which aims to achieve gender equality.

New product lines are making it possible for mobile money to contribute to broader development efforts. In 2016, GSMA research revealed that the cost of international remittances using mobile money was, on average, more than 50 per cent lower than using traditional money transfer operators. Even when incorporating cash-out fees, mobile money was more than 20 per cent cheaper.[6] In practical terms, this means more money in the hands of remittance recipients in emerging markets. Additionally, mobile money is a key driver of economic growth in emerging markets: formalising payments, delivering transparency, and boosting GDP. Digital finance, including mobile financial services, can add around US$ 3.7 trillion in additional annual economic activity by 2025.[7]

Looking ahead, the industry is on course to reach new heights

A number of exciting trends stand to shape the industry over the coming years. These include new solutions to some of the most persistent challenges mobile money providers have faced over the past decade. For instance, the GSMA estimates 1.6 billion people still live outside the reach of a mobile broadband-enabled network, and as many as 1.5 billion people lack formal identification. Technological innovation and public-private cooperation are combining to extend the reach of mobile networks, and governments are increasingly investing in digital infrastructure.

The future also promises to bring new opportunities. The rise of smartphones will reshape consumer behaviour, stimulate new use cases for digital payments, and drive competition. Harmonised mobile money APIs will reduce the time it takes for start-ups and others to connect to all providers in a market, in some cases from months to days, laying the groundwork for a raft of innovation. And as e-commerce begins to boom in emerging markets, mobile money will become one of the most compelling ways to pay for goods online.

To be sure, there is a long way to go. Two billion people still lack full access to formal financial services. Many challenges, including digital literacy and gender inequality, continue to impede efforts to reach the underserved. For their part, providers face competing investment priorities and mounting regulatory complexity. Everyone in the financial inclusion community, whether regulators, donors, providers, or others, has a central role to play in finding sustainable solutions to these issues. The vibrant, intense debate between these stakeholders has been and will remain the most potent force for the success of mobile money in the years ahead.

Read the full report: http://www.gsma.com/mobilemoney
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[5] Voorhies, R. (2016). The evidence is in: mobile money can help close the gender gap. World Economic Forum.
[6] Farooq, S., Naghavi, N. and Scharwatt, C. (2016). Driving a price revolution: Mobile money in international remittances. GSMA.
[7] McKinsey Global Institute, (2016). Digital finance for all: Powering inclusive growth in emerging economies.

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