Mobile Money Global Event

Wednesday October 7, 2015
Cape Town, South Africa
Welcome
Seema Desai, Head of Mobile Money, GSMA
Mobile money continues to expand globally

NUMBER OF LIVE MOBILE MONEY SERVICES FOR THE UNBANKED BY COUNTRY (DECEMBER 2014)

- 250+ live services in nearly 90 countries
- 55 markets with at least 2 mobile money services
- 100+ planned new launches
Sub-Saharan Africa is leading the world in Mobile Money deployments – yet there is still huge unmet opportunity

### MM Registered Users as % of Active Connections (2014)

**Huge potential unmet opportunity:**

Almost 80% of mobile phone users in Sub-Saharan Africa do not have a mobile money account

### Mobile Money Contribution to Revenue (2014)

Source: GSMA intelligence, GSMA 2014 State of the Industry: Mobile Financial Services for the Unbanked
The opportunity can be realised through building a successful mobile financial ecosystem

Embracing the mobile financial ecosystem brings major benefits:

1. More services for customers which better address their financial needs
2. Reduced costs for businesses, governments, NGOs of distributing cash
3. Increased profitability for providers
To achieve this vision, there are barriers which must be overcome

- Overcome regulatory barriers
- Crack the business model for new ecosystem services
- Drive industry collaboration
- Strengthen foundations that support the ecosystem
To enable a greater range of digital transactions, which make mobile wallets more central to the financial lives of users, particularly among the unbanked whose financial needs are currently unmet.
Ramping up Interoperability: New Developments in Rwanda and Madagascar

Stanislas Chevillard – Director, Orange Money, Orange Madagascar
Faith Chisulo – Head of Mobile Financial Services, Tigo Cash, Tigo Rwanda
Chidi Okpala – Director & Head, Airtel Money, Airtel Africa

Moderator: David Lubinski, The Bill & Melinda Gates Foundation
4 markets are interoperable: Indonesia, Pakistan, Sri Lanka, Tanzania

At least 2 will launch before end of 2015: Madagascar and Rwanda

5 more are working towards interoperability
Leadership
All committed providers have a shared vision, commit resources to develop an on time and high performing solution and invest in its deployment also after launch.

Planning
The process of delivering the new service is executed efficiently, setting up a cross-organisation interoperability task force, composed of leaders of the initiative.

Collaboration
Core business areas work together effectively
Neutral facilitation is key
Section 1: Governance
- Covers application, adoption, conflict, governance committee, confidentiality and participation clauses

Section 2: Financial Considerations
- Covers financial considerations for pricing/fees, pre-funding, clearing and settlement

Section 3: Risk and Fraud Management
- Covers Risk management, fraud management and Dispute Resolution

Section 4: Transaction Processing
- Account to account transaction processing and transaction authorisations
Tools used

- Commercial calculator and simulator
- Operational considerations
- Inter-party rule set
  - Draft MOUs
- Technical evaluation frameworks
- Switch benchmarks
- URS document
Digitising Government Payments

Imdad Aslam - Interim CEO & Director DFS, Karandaaz
Alban Luherne – Director, Orange Money

Moderator: Claire Scharwatt – Senior Market Engagement Manager, Mobile Money, GSMA
Digitizing school registration fees with mobile money

- Government commitment
- Pilot with MTN and CelPaid

2011-2012:
- 0.7m
- 3% of payments made via mobile money

2012-2013:
- 0.9m
- 12% of payments made via mobile money

2013-2014:
- 1.3m
- 72% of payments made via mobile money

2014-2015:
- 1.5m
- 94% of payments made via mobile money

- Digital payment becomes mandatory
- Moov joins

Integration through API

Orange joins
Areas of collaboration

1. Developing a harmonized customer experience
   - Agreement on unified customer journey on USSD
   - Implement seamless technical integration via API

2. Co-funding a national marketing campaign
   - Jointly co-planned, co-funded and co-managed by payment providers and Ministry of Education

3. Harmonising the settlement of funds

- 1.5 million secondary school students
- 4 digital payment acceptors
- 41 regional Government departments
- 1500+ secondary schools
## Key benefits

<table>
<thead>
<tr>
<th>MNOs</th>
<th>Government</th>
<th>Schools</th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Increase customer adoption</td>
<td>✓ Remove cash handling costs, security concerns &amp; administrative burden</td>
<td>✓ Earlier payments → better budget management</td>
<td>✓ Reduce time, cost &amp; security concerns</td>
</tr>
<tr>
<td>✓ Enhance value proposition</td>
<td>✓ Improve payment efficiency</td>
<td>✓ Increase in overall fee collection → larger budget</td>
<td>✓ Increase transparency in terms of pricing</td>
</tr>
<tr>
<td>✓ Sustainable, seasonal use case</td>
<td>✓ Reduce leakage of funds</td>
<td>✓ Improve payment efficiency</td>
<td>✓ Better user experience</td>
</tr>
<tr>
<td>✓ New revenue stream</td>
<td>✓ Increase transparency</td>
<td>✓ Increase transparency</td>
<td>✓ Easier to get proof of payment receipts</td>
</tr>
</tbody>
</table>
Panel discussion

Alban Luherne
Orange Money Director, Orange Group

Imdad Aslam
Interim CEO & Director of Digital Financial Services, Karandaaz

Claire Scharwatt
Senior Market Engagement Manager, Mobile Money, GSMA
The Economic Impact of Mobile Money in the Digital Economy

Sheila M’Mbijjewe – Deputy Governor of the Central Bank of Kenya
James Ivan Ssettimba – Head of Financial Inclusion, Bank of Uganda

**Moderator:** Mia Thom – Engagement Manager, CENFRI
Economic Impact of Mobile Money in a Digital Economy – Kenya’s Experience

Presentation by
Sheila M’Mbijjewe
Deputy Governor, Central Bank of Kenya

At the
GSMA Mobile 360 Africa, Cape Town, South Africa

October 7, 2015
Outline

1. Kenya’s Mobile Phone Landscape
2. Role of the Central Bank
3. Economic Impact of Mobile Financial Services
4. Summary
1. Kenya’s Mobile Phone Landscape

- Kenya has one of the fastest mobile phone service adoption rates in Africa:
  - As at June 2015, there were 36.1 million mobile phone subscribers (a mobile penetration of 83.9%).
  - There were 27.7 million mobile money service subscribers, and 129,357 mobile money agents.
- Like most developing countries, there are supply and demand side barriers to accessing formal financial services – about 70% of Kenya’s population lives in the rural areas.
- The mobile phone platform has provided access to financial services by the critical mass.
1. Kenya’s Mobile Phone Landscape:
Mobile financial services are the most preferred in Kenya due to lower transaction costs, accessibility and convenience.

Source: Fin Access Surveys, FSD
2. Role of the Central Bank

- Mobile money services have transitioned from cash transfer system to integration of interfaces and linkages with financial institutions payment systems.

- The Bank plays two main roles in mobile financial services — Policy Development and Regulatory Oversight.

- The Bank also plays an active role towards the seven key pillars of mobile financial services development in the World Economic Forum’s Mobile Financial Services Development Report, 2011 — regulatory proportionality; adoption and availability; consumer protection; end user empowerment and access; distribution and agent network; market competitiveness and market catalysts.

- The Bank is also promoting innovative delivery channels beyond the brick and mortar infrastructure — creating appropriate support infrastructures such as deposit protection, consumer protection and financial education.
3. Economic Impact of Mobile Financial Services

- A sound, safe, efficient and stable inclusive financial system is critical for inclusive growth and achievement of Kenya’s Vision 2030 development goals.
- The impact of mobile financial services on economic development in Kenya has been felt in three broad areas:
  - financial inclusion,
  - financial sector development, and
  - Economic growth and monetary policy.
3.1. Economic Impact of Mobile Financial Services: Financial Inclusion in Kenya has improved significantly since 2006

- The proportion of adult population using formal financial services in Kenya increased from 27% in 2006 to 67% in 2013.
- Rural areas registered the highest growth – 142% (from 25% in 2006 to 60% in 2013) compared to urban areas with an increase of 124% (from 36% in 2006 to 80% in 2013).
- Kenya has the highest ranking or share of adults with a mobile money account in East Africa (at 58 percent, followed by Somalia, Tanzania, and Uganda with about 35 percent).

<table>
<thead>
<tr>
<th>Country</th>
<th>S. Africa '13</th>
<th>Kenya '13</th>
<th>Namibia '11</th>
<th>Botswana '09</th>
<th>Lesotho '11</th>
<th>Tanzania '13</th>
<th>Swaziland '11</th>
<th>Niger '12</th>
<th>Rwanda '12</th>
<th>Ghana '10</th>
<th>Zimbabwe '11</th>
<th>Uganda '09</th>
<th>Malawi '08</th>
<th>Zambia '09</th>
<th>Mozambique '09</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Using Formal Financial Services</td>
<td>75</td>
<td>39</td>
<td>62</td>
<td>41</td>
<td>38</td>
<td>38</td>
<td>44</td>
<td>54</td>
<td>33</td>
<td>33</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>% Using Mobile Money</td>
<td>11</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>23</td>
<td>23</td>
<td>19</td>
<td>46</td>
<td>16</td>
<td>16</td>
<td>44</td>
<td>44</td>
<td>44</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>% Excluded</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
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<td>10</td>
<td>10</td>
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</tr>
</tbody>
</table>

Source: Fin Access Surveys, FSD
3.2. Economic Impact of Mobile Financial Services: Financial Sector Development

- As at June 2015, there were over 90 million mobile money transactions, valued at about USD2.16 billion (KSh227.9 billion).
- Total mobile money transactions averaged USD72.1 million (KSh7.6 billion) per day.
- The average size of the mobile money transactions per customer has increased from USD29.1 (KSh3,067) in March 2007 to USD81.6 (KSh8,601) in June 2015.
- MFS are being used to pay for various services including driving license renewal, payment of bus fares, parking charges, and utility bills.
3.2. Economic Impact of Mobile Financial Services: Financial Sector Development…

- Mobile payments account for over 80% of the volume of payment transactions (7.4% of the total value of transactions).
- Rapid increase in mobile payments attributed to linkages and partnerships between financial institutions and Telcos in providing mobile financial services.
- Mobile financial services have created numerous job opportunities especially for the youth population in our country – there are 129,357 approved mobile money agents.
3.3. Economic Impact of Mobile Financial Services: Impact on Economic Growth

- Mobile phones have enhanced access and usage of financial services, including access to credit.

- A recent IMF study (IMF Working Paper WP/15/22) shows that improvements in access to credit, depth of credit and credit intermediation efficiency increase growth.

- The study shows that a 1% growth in access to credit and credit intermediation efficiency can increase Kenya’s GDP by 0.63% and 1.17%, respectively.

- Similarly, the study shows that a 1% increase in the depth of credit can increase Kenya’s GDP by 0.47%.
3.3. Economic Impact of Mobile Financial Services: Impact on Monetary Policy

- The amount of currency outside the banking sector (COB) as a ratio of Broad Money (M3) and Reserve Money (RM) has reduced significantly — an indicator that less and less money is being held outside the formal financial system.

Source: Central Bank of Kenya
3.3. Economic Impact of Mobile Financial Services: Impact on Monetary Policy…

- The velocity of money (ratio of nominal GDP to money supply, M3) – has been declining, an indication of the increasing financial depth.
- The Money Multiplier – the ratio of Broad Money (M3) to Reserve Money (RM) – has been increasing an indication of the growing innovation in the financial sector.

![Graph showing Declining Velocity of Money and Rising Money Multiplier (M3/RM)]

Source: Central Bank of Kenya
4. Summary

- Mobile money is still a nascent industry that can be leveraged upon by financial market players to enhance efficiency in the provision of financial products and services.
- Mobile financial services are evolving – we have moved from the test and learn approaches that were employed in the initial stages, to the models we have now.
- The growth in mobile financial services has a positive impact on economic growth, but pose challenges on the monetary policy framework.
- Challenges continue to exist, as well as the risks posed, as the digital platforms continue to evolve.
- Countries should continue to share experiences and strengthen partnerships based on best practices to address these challenges – this will accelerate financial inclusion in developing countries.
Ivan James Ssettimba
Bank of Uganda

October 7, 2015
Introduction

• The digital economy is the result of the transformational effects of new General-Purpose Technologies (GPT) in the fields of information and communication.

• The digital economy has impacted all the sectors of the economy and social activities, for instance:
  – retail, transport, financial services, manufacturing, education, healthcare, media and so on.

• The expansion of the digital sector has been a key driver of economic growth
Mobile Money Services in Uganda

• Mobile money services were first introduced in March 2009; currently there are six mobile money schemes in Uganda.

• The BOU has only approved mobile money operations when this is done in partnership with a Supervised Financial Institution (SFI).

• Mobile Money Service Providers (MMSP) are required to hold, in an escrow account in their partner SFI, the equivalent of all the mobile money that has been issued to their customers and agents.

• MMSPs, which are not regulated financial institutions cannot intermediate nor use the funds that have been mobilised through the sale of mobile money.
Mobile Money Services in Uganda

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered customers (millions)</td>
<td>0.6</td>
<td>1.7</td>
<td>2.9</td>
<td>8.9</td>
<td>14.0</td>
<td>18.5</td>
</tr>
<tr>
<td>Number of transactions (millions )</td>
<td>3</td>
<td>29</td>
<td>88</td>
<td>242</td>
<td>400</td>
<td>496</td>
</tr>
<tr>
<td>Value of transactions (billions SHS)</td>
<td>133</td>
<td>963</td>
<td>3,752</td>
<td>11,663</td>
<td>18,982</td>
<td>24,050</td>
</tr>
</tbody>
</table>

Number of registered customers and Volume and Value of Mobile Money Transactions in Uganda (2009-2014)

- The number of registered mobile money customers exceeds half the population of Uganda.
- Uganda’s population with access to formal financial services increased from 28% in 2009 to 54% in 2013* - a significant part of this increase is attributed to increased access to mobile money services.

* FINSCOPE survey 2013
# Mobile Money Services in Uganda

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers/Remittances (Ability to send money to the bottom of the pyramid customers)</td>
<td>Live</td>
</tr>
<tr>
<td>Merchant Payments – enabling SMEs and Corporates to receive payments P2B</td>
<td>Live</td>
</tr>
<tr>
<td>Statutory payments (Taxes) P2G</td>
<td>Live</td>
</tr>
<tr>
<td>Bulk Payments: Salaries, wages B2P e.g. Sugar, Tea and Construction firms</td>
<td>Live</td>
</tr>
<tr>
<td>Micro Loans and Savings</td>
<td>Pilot</td>
</tr>
<tr>
<td>Group wallets for SACCOS and VSLA</td>
<td>Pilot</td>
</tr>
<tr>
<td>Cross border</td>
<td>Pilot</td>
</tr>
<tr>
<td>Mobile banking; transfers from bank account to M-wallet</td>
<td>Live</td>
</tr>
</tbody>
</table>
Economic Impact of Mobile Money

Consumption Certainty
• The ability to execute instantaneous P2P transfers, compared to the alternatives of transporting money in person or using a bus driver increases one’s purchasing power, implying that they have the capacity to consume immediately has a multiplier effect and positively impacts on output.

Increased employment opportunities
• Agents carrying out cash-in cash-out
• Customer service representatives
• Bank staff
• MMSP staff
Growth in Tax Revenue

- Using mobile money instead of cash or cheque for P2G and B2G makes it simple, easy and quick for a taxpayer to settle their obligations.
- The ease, convenience, ubiquity of the service and speed of the mobile transactions increases tax revenue.
- Such a service launched in Uganda was projected to at least collect an additional USD 25 million in taxes every month.
Economic Impact of Mobile Money

Improving efficiency

• The adoption of mobile money services has decreased administrative costs for companies.
• Mobile money has increased transaction speeds and reduced outstanding credit times, minimizing how long it takes to collect and inquire after payments.
• The power company UMEME, reported a 99.1% revenue collection rate in 2014 compared to 94% in 2012, the increased revenue collection rate was partly attributable to increase in mobile money payments
Social Impact of Mobile Money

Support families to keep children in school, especially the most vulnerable

• School fees can be securely and conveniently paid using mobile money. Funds can be stored in the mobile wallet, and small, frequent transactions made out, reducing the cash flow burden on the family.

Improve access to healthcare

• With mobile money, the poor have a simple and safe way to save money for future health care costs.
  – Specific products can be designed for this purpose, for instance, a service that enables pregnant women to make small mobile payments to a health service provider, to meet expected costs related to childbirth.
Provision of social benefits

- The Senior Citizens Grants deliver UGX 25,000 (approximately US$8) (2013 value) monthly to senior citizens (people of age 60 years and above).
- The Vulnerable Family Grants on the other hand pay out UGX 25,000 monthly to vulnerable households with low labour capacity and high dependency. As at February 2014, the Programme reached 113,000 beneficiaries, with over UGX 32 billion disbursed.
- All these grants are being made through use of mobile money.
Conclusion

• The delivery of affordable financial services to a population using mobile money is associated with the attainment of a nation’s crucial economic and social goals.

• Providing financial services draws credit into the banking system, leading eventually to GDP growth. It increases the creation of capital, leading to an increase of free enterprise. It develops the depth of a nation’s private sector, which in turn builds new jobs.

• These financial developments reduce a nation’s overall income inequality, increase income growth among the lowest paid quintile of the population, and accelerates poverty alleviation.

• However some challenges still exist
  – fraud
  – network/connectivity problems,
  – limited interoperability and
  – services for people with special needs
To OTC or not to OTC? The Values and Sustainability of a Cash to Cash Model

Fariq Cader – Senior General Manager, Dialog Telecom Ltd.
Brad Magrath – Co-Founder & CCO, Zoona
Omar Moeen Malik – Head of Strategy & Payments, Telenor Pakistan
Gregory Reeve - GM Mobile Financial Services, Millicom

Moderator: Anup Singh – Senior Manager, Microsave
Spotlight on Rural Supply: Critical Factors to Create Successful Mobile Money Agents

Lara Gilman – Market Engagement Director, Mobile Money, GSMA
Audience poll! *(do you agree or disagree?)*

- Mobile money has a limit for how far it can reach.
- Mobile money in the vast majority of markets has not yet reached its limit.
- Mobile money could and should be extending further.

Why?
The potential of mobile money in rural areas

Social Impact opportunity

- Estimated 70% of the poor live in rural areas.

Commercial opportunity

- Predominantly rural markets capture significantly less than advanced markets overall.
- Urban saturation risks longer-term growth.
Assumption 1
The feasibility of serving customers sustainably is a core barrier to reaching rural.

Assumption 2
There are successful agents operating in rural areas.

Research questions
1. What enables a rural agent to be successful?
2. Can providers use this to adapt operational strategies and extend reach?

Approach
1. Transactional data analytics
2. Quantitative phone-based interviews with ~ 2000 agents
3. Field-based interviews with ~ 500 agents & 40 master agents
Defining Rural

Agents have been segmented based on their monthly value of activity.

4 segments have been created: a dormant group with no transaction in the analysed month and 3 tiers (low, medium and high - top 20%).

Successful agents are part of the ‘high’ segment.

Active agents is a merger of the ‘low’ & ‘medium’.

*Although categorizations were cross-referenced with other months to ensure no abnormal seasonality.
Country focus: Mali & Chad

<table>
<thead>
<tr>
<th>Country</th>
<th>Date of launch</th>
<th>% of rural population</th>
<th>% of agents in rural areas</th>
<th>% success rural agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mali</td>
<td>MAY 2010</td>
<td>61%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Chad</td>
<td>NOV 2012</td>
<td>78%</td>
<td>34%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Overview of key findings

#1 Local context matters: Strategic growth

#2 Re-think rural agent profile & selection

#3 Liquidity: Bridging the access gap

#4 Rural: An opportunity for collaboration?
#1 Local context matters: Strategic growth

% of successful rural agents in unique market context vs, average

- **Mali**
  - Rural average (national): 23%
  - Unique market context: 56%

- **Chad**
  - Rural average (national): 10%
  - Unique market context: 38%
#2 Re-think rural agent profile & selection

Rural agents look different

- Older established businesses
- Broader product portfolio
- Customer loyalty and trust play an even more important role
Rural agents look different

- Older established businesses
- Broader product portfolio
- Customer loyalty and trust play an even more important role
#2 Re-think rural agent profile & selection

**Rural agents look different**

- Older established businesses
- Broader product portfolio
- **Customer loyalty and trust play an even more important role**

80% of rural customers stay with the same agent in Chad  
(Transactional analytics)

42% of successful rural Tigo Cash agents reported knowing the majority or all of their customers *before starting their business*
#3 Liquidity: Bridging the access gap

Liquidity is a challenge and banks are an enabler...

...however, there are successful agents lacking banking infrastructure...

...and master agents play the key role.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Successful</td>
<td>65%</td>
</tr>
<tr>
<td>Urban Active</td>
<td>52%</td>
</tr>
<tr>
<td>Rural Successful</td>
<td>56%</td>
</tr>
<tr>
<td>Rural Active</td>
<td>15%</td>
</tr>
<tr>
<td>Overall</td>
<td>57%</td>
</tr>
</tbody>
</table>

% of agents in Mali with access to financial services

In Mali, 44% of successful rural agents lack access to financial services.

In Chad, 84% of successful rural agents lack access to financial services.

Successful rural agents in Chad were 4x more likely to have their masteragent visit them to rebalance.
#4 Rural: An opportunity for collaboration?

Tigo Cash agents offering Airtel Money (% of total)

70% Rural successful

52% Rural unsuccessful
Next steps

- Workshop: Creating a Go-to-Market Tool
- Full report released today
- Upcoming blog series
- Iterating toward best practice…
SEE YOU NEXT JULY
DAR ES SALAAM, TANZANIA

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