Seminar on Mobile Banking
As relevant to the developing world

Content

MFS & ADC - What are they about?
The State of the MFS & ADC Industry
Why are banks participating in MFS and ADC?
Why are Telco’s participating in MFS and ADC?
How do the industries cooperate?
Why is IFC pursuing MFS and ADC?
How could the WTO assist?
MFS and ADC are about using technology, existing infrastructure and new business processes...

... to serve clients in the most cost effective and business friendly manner possible.

Key Players in MFS and ADC

<table>
<thead>
<tr>
<th>Players</th>
<th>Roles</th>
</tr>
</thead>
</table>
| FIs      | • Offer banking services  
          | • Hold float of accounts in customers' names  
          | • Ensure compliance with financial sector regulation  
          | • Promote use of new banking channels with new clients  
          | • Provide payments services  
          | • Bring customers into full banking relationships |
| MNOS     | • Provide infrastructure and communications services  
          | • Acquire clients / can be super agents  
          | • Co-marketing and branding with banks |
| Agents/Retail Networks | • Perform walk-in/out functions  
                           | • Can open accounts  
                           | • Support marketing/sales  
                           | • Customer service |
| PSPs     | • Provide payments infrastructure  
          | • Provide IT platforms |
| Regulators | • Provide enabling environment  
              | • Protect stability of financial system  
              | • Encourage and protect behavior change |
The full Ecosystem & Products - Agent networks can play a key role in connecting players and products in the ecosystem.

Critical Components for Successful implementation

The exact mix of these components and their relative importance is a function of the strategy adopted.
MFS & ADC combined are about: leveraging EXISTING assets wherever they are, to cost effectively service the market

- The assets required to service the market are not only owned by the financial services sector
- They are everywhere - in retail, in telephony - even in the public sector
- MFS and ADC is about gaining access to WHAT is required, ONLY WHEN it is required

Despite its name...
... MFS IS NOT about technology

- It is a technologically enabled business proposition
- There are many business options to choose from and this choice is driven by organizational strategy
- There is technology available on the market to support (almost) any choice made by business
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State of the global industry in numbers

- Mobile money is one of the fastest growing forms of MFS and ADC
- 242 live mobile money deployments across the world
- 13 services with more than 1 million active customer accounts
- In 81% (44 out of 54 markets) of the surveyed markets, there are now more mobile money outlets than bank branches.
- 203 million registered customers globally
- The total number of deployments on a global basis growing by almost 38 percent annually
- There are now more mobile money accounts than bank accounts in 9 markets: Cameroon, the Democratic Republic of Congo, Gabon, Kenya, Madagascar, Tanzania, Uganda, Zambia and Zimbabwe.
- In June 2013, there were 53,000 merchants accepting payments via mobile money, and 16,000 organizations using mobile money as a payment platform for accepting bill payment or making bulk payments such as salary payments.
- 431 million TX totalling $7.4 billion undertaken during the month of June 2013 alone

Source: CGAP State of the Industry 2013
Banking Deployment in the Developing World: 242 live deployments, 112 deployments planned as of June 2014

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Strategic options presented to a Bank

Defensive
Mobile enables new entrants – MNO’s, PSP’s
Many banks are looking at mobile

Expansion
Market share (existing markets)
New target markets
Geography
Secondary brands

MFS and ADC

Customer service
Convenience
Confidentiality

Cost containment
Opex
Cost OffFunds

Expansion

Example

- 18 mil customers in less than 7 years
- Successfully launched savings and loan products
- mPesa is ~4 times the size which the banking industry was prior to its launch
- What did CBA need to do to achieve this status?
Cost containment
Example of relative cost in India

Cost savings potential with Agency Distribution

- Indirect costs 12%
- Direct Staff costs 88%

Current Bank costs for CASA accounts:
- 400
- 50

Bank costs for BC No frills accounts:
- 350
- 65

Cost savings close to 60%

Bank payout BC per customer:
RS: 65 to 125

Customer service

Financial service expansion is restricted by the 3 A’s
- Access
- Affordability
- Arrogance

Using agents allows customers to work with people who
- Physically close
- Culturally and emotionally similar
- Often known to the customer
- Builds trust

On account of cost containment
- Products can be priced more affordably
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Strategic options presented to a Telco

Revenue diversification
- Voice and SMS are mature and deteriorating revenue streams. Data services, big data, surveying, MFS and other non-core value-added services being explored

Customer Acquisition
- Being first to market with a truly valuable proposition could cause competitors to churn customers to MNO

Customer Loyalty
- Import financial services stickiness to mobile telephony relationship
- Make the service so valuable that nobody will abandon the MNO

Customer Service
- Providing a convenient service, which the customer needs, as part of core value proposition

MFS & ADC

For an MNO considering MFS and or ADC: Prioritizing these overarching objectives is key to success
Telco leaders are addressing their revenue shrinkage by diversifying to non-core businesses

Examples of new, non-core businesses for diversification

<table>
<thead>
<tr>
<th>Media</th>
<th>Content acquisition, DRM and production, concerts, sport events, premier releases for motion pictures, etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>M2M</td>
<td>Industrial automation, logistics, Smart Grid, Smart cities, health, defence</td>
</tr>
<tr>
<td>Security</td>
<td>Information security, fraud protection, perimeter protection, home protection, electronic security</td>
</tr>
<tr>
<td>Big Data</td>
<td>Analysis, capture, curation, search, sharing, storage, transfer, visualization of large amount of data</td>
</tr>
<tr>
<td>Health</td>
<td>Remote patient management, Mobile telecare, digital medical imaging, doctor on the phone, health plans</td>
</tr>
<tr>
<td>Mobile Financial Services</td>
<td>Wallet, e-payment, e-money account, bonus account, credit advance, insurance</td>
</tr>
</tbody>
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Source: Credit Consulting analysis

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MFS and ADC are delivered through different entities ranging from bank to MNO and 3rd party or any combination thereof.

Many different cooperation models exist - choosing depends on strategic objectives.

- **FI** and **MNO**
  - JV - eg, Claro / Bradesco
  - MNO owns FI - eg, Tameer/Telenor

- **FI**
  - MFS & ADC
  - MNO performs role - eg, Musoni, MPesa

- **FI**
  - MFS & ADC
  - FI performs role - eg, Equity Bank
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Customer reach

- 500 million
  - >$20 / yr
- 2 billion
  - between $3260 and $20k / year
- 4 billion
  - <$3260 per year ($9 per day)

Reach of traditional banks
Reach of Telco's

Source: WorldRemit Index
2020-2021 report
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Areas WTO might want to explore

Non Binding constraints (country specific)
Remittance
International remittance is growing in significance
Some countries might start using regulatory constraints as a non tariff barrier
Outsourcing
The requirement to co-locate data storage and management with the service provision vs cost to serve
THANK YOU

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