

Mobile Money Revolution

Hannes van Rensburg

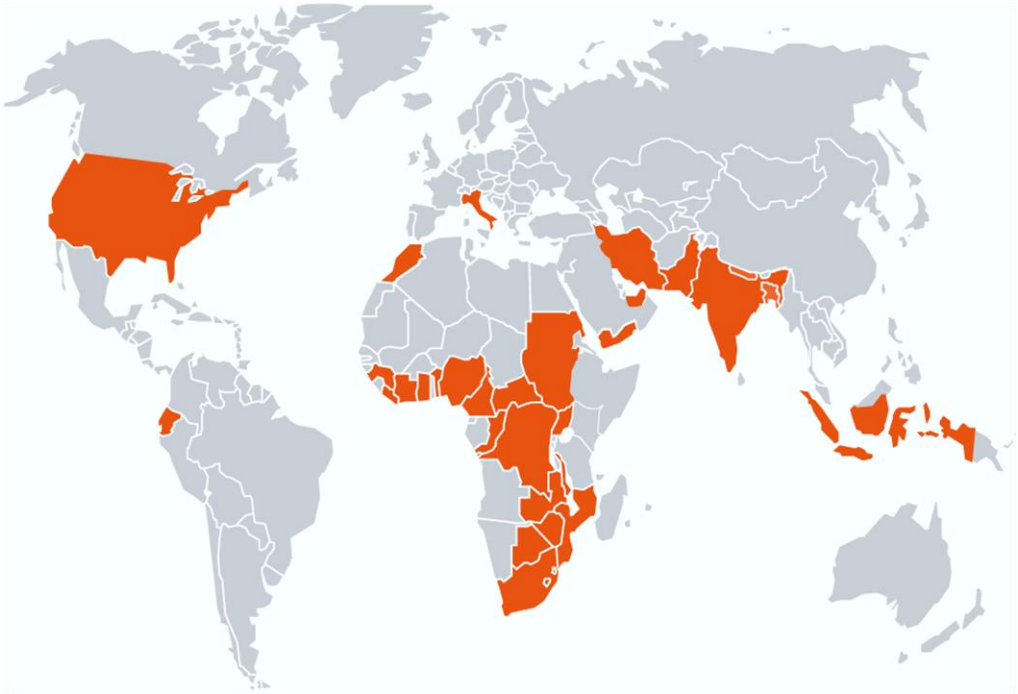
Head: Emerging Markets Mobile

Fundamo is now part of Visa

VISA

The Fundamo Advantage: Vision, Experience, Expertise

Fundamo to date has focused on Transformational Banking for MNOs and Banks in Developing Markets. Fundamo has over 60 deployments in over 30 countries

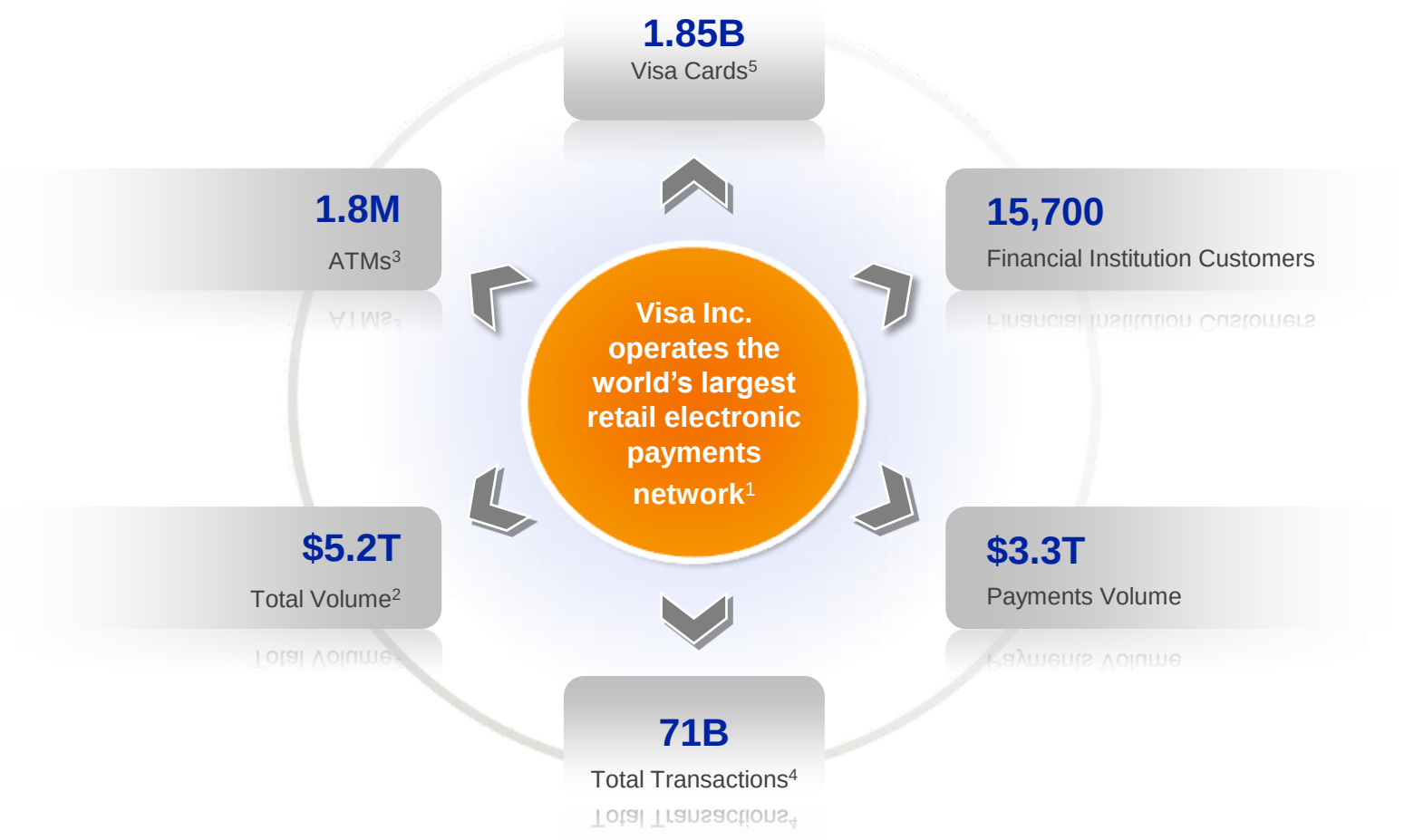


MCB
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MONTRAN
AXIS
easypaisa
Bank Andara
Moving Microbanking Forward
Méditel
celpay
mcel
MTN
FAYSAL BANK
telenor

accenture
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ACCESS GROUP
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The Capabilities of Visa

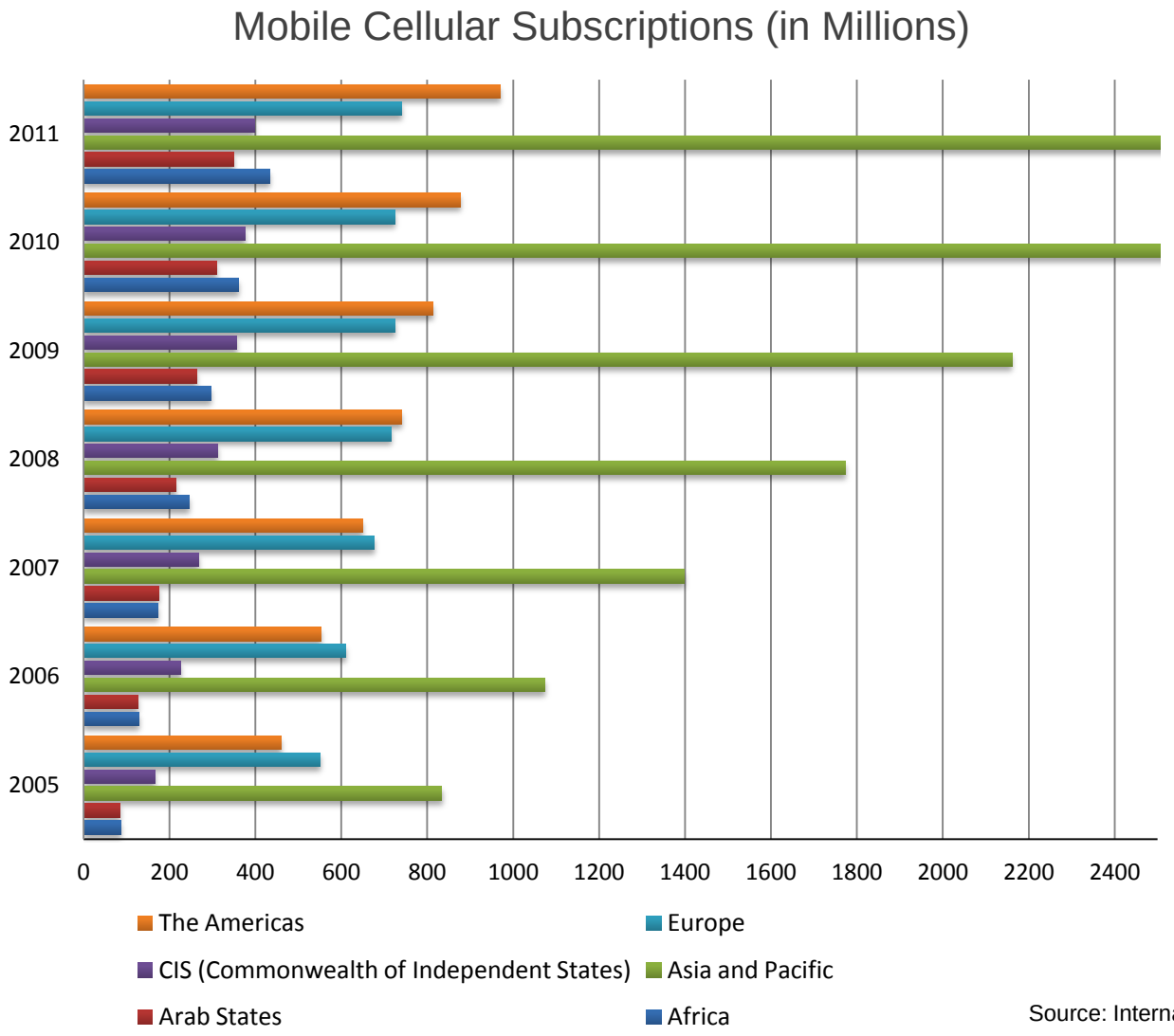


Statistical data in U.S. dollars; data as of Sept. 30, 2010 unless otherwise noted. Excludes Visa Europe, unless otherwise noted. Figures are rounded.
[1] Based on payments volume, total volume, number of transactions and number of cards in circulation.
[2] Includes payments and cash transactions.

[3] As reported by client financial institutions as of June 30, 2010. May be subject to change; includes ATMs in the Visa Europe territory.
[4] Includes payments and cash transactions.
[5] As of June 30, 2010

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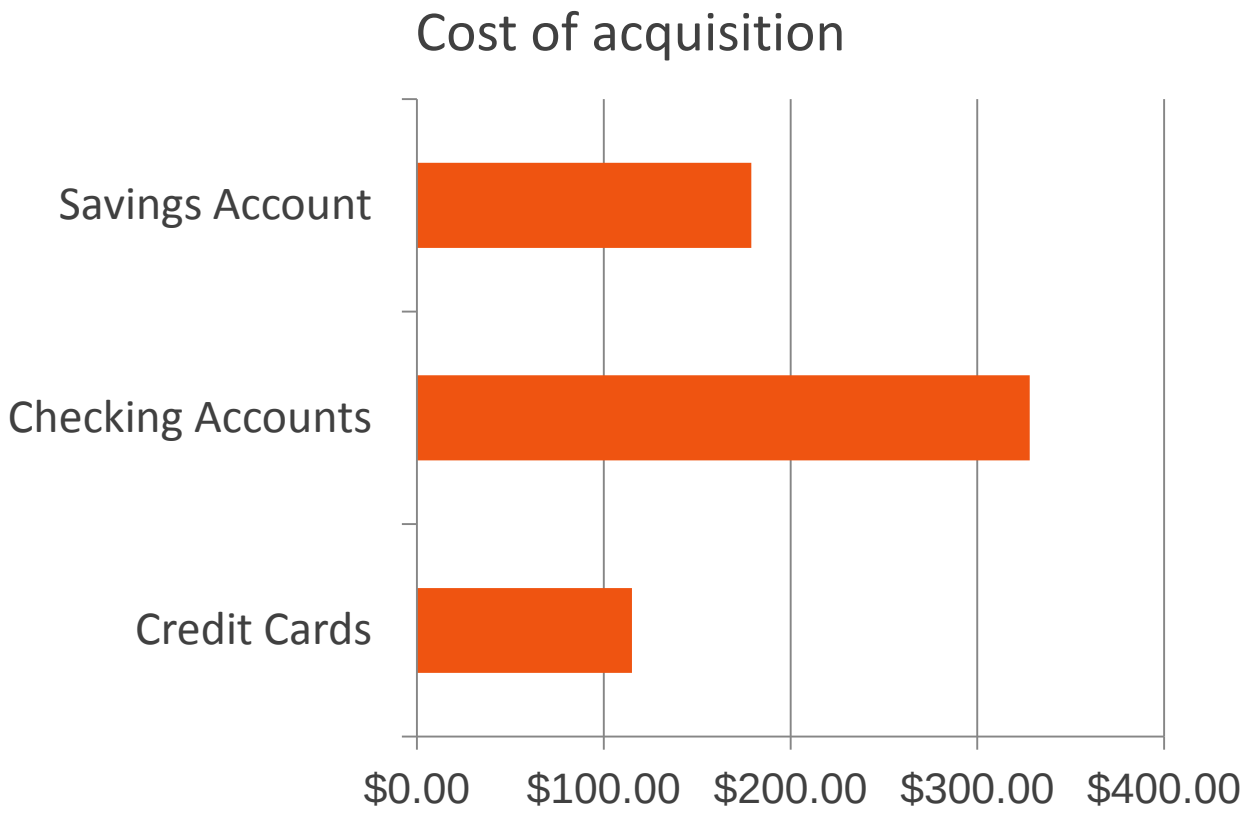
Mobile Penetration is growing faster in emerging markets



"The global handset industry is growing due to strong emerging markets demand." Pyramid Research expects global handset sales to expand at a 7% CAGR between 2010 and 2015

Source: International Telecommunications Union 2011

Transactional banking costs are not supported by the revenue generated.



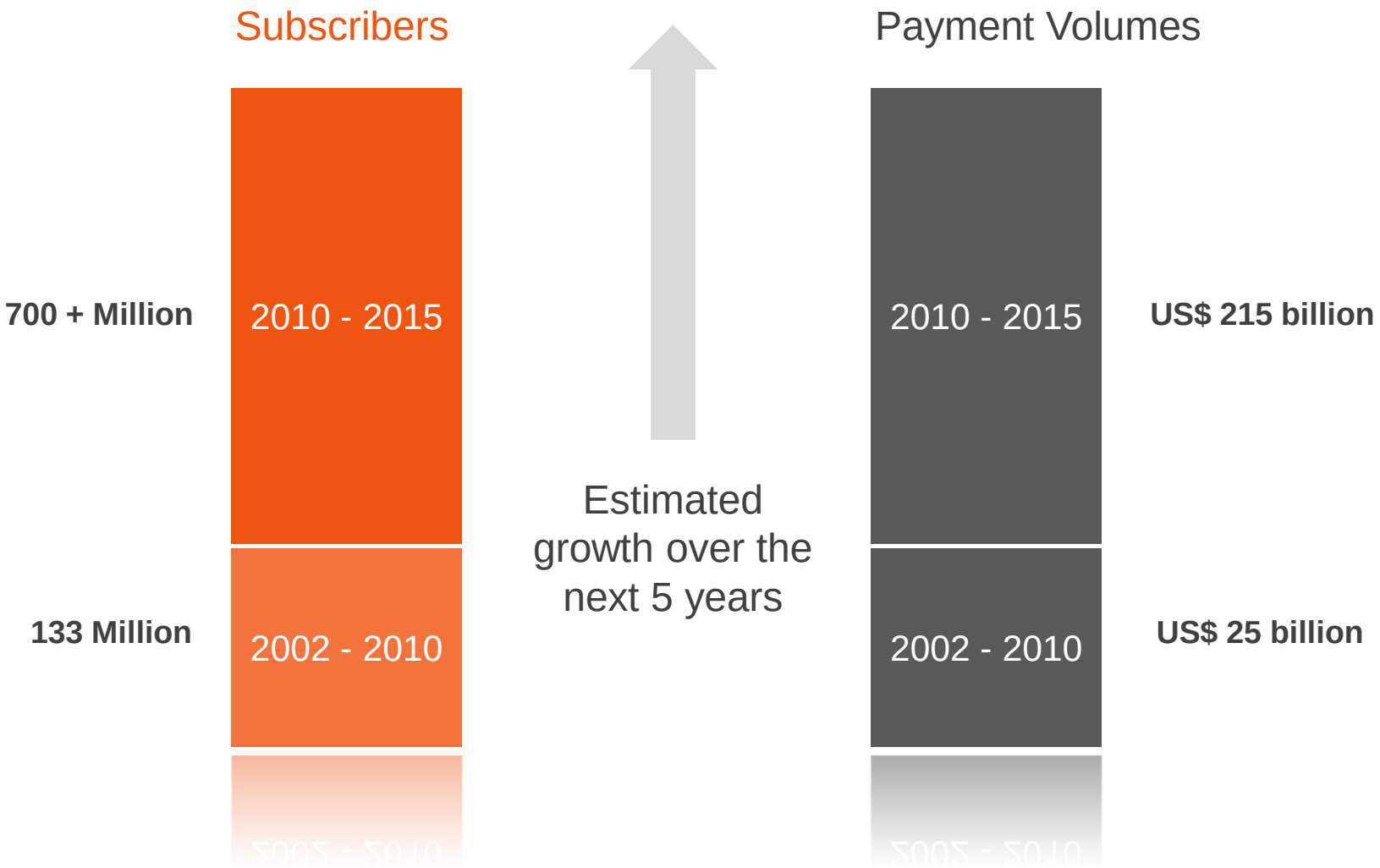
Source: Forrester Research US, Canada and UK

Relevance of Mobile Payments in Emerging Markets

- The GSMA cited that a 10% growth in mobile penetration can boost GDP by 0.6%.
- Euromonitor shows 90%+ of PCE is cash-based in India and Africa
- GSMA research shows that Mobile Money can contribute up to 30% of revenue growth.



Projected growth in deployments and subscribers



Source: Berg Insight, Mobile Payments in Emerging Markets 2011

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Case Study: Easypaisa

Telenor is the 2nd largest mobile operator in Pakistan with a subscriber base of 27 million. Tameer Bank was formed in 2005 and was issued with a license under the MFI regulations to provide microcredit and other financial services in Pakistan.

In Pakistan, with a population of 170mil, 89% of the adult population is unbanked and 62% use mobile phone services. Easypaisa promises an outreach greater than the conventional banking with a combination of non-banking agent locations and using mobile phones by customers and agents as a delivery channel

- 69% of Easypaisa users live on less than $3.75 a day
- 45% of Easypaisa users lack access to bank accounts suggesting a strong penetration into poor and unbanked populations
- Over 90% of users rate Easypaisa's service as highly effective

Strong correlation between the likelihood of being poor and the likelihood of not having a bank account among users.

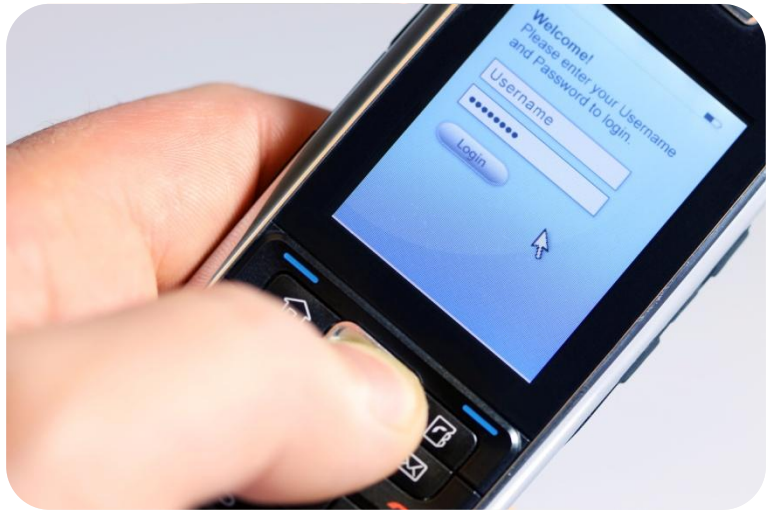


Source: State Bank of Pakistan, Branchless Banking News Issue 1: 2011

How applicable is the revolution in Emerging Markets to First World Markets?

The same trends are just magnified in emerging markets.

- New regulatory dispensation for a modern world is being rolled out.
- Consumer needs and their behaviours are changing fundamentally through mobile and social media.
- The historical sources of revenue for banks are dissipating.
- The identification and security inherently available in mobile phones are getting more important.
- The banking industry is struggling to keep pace with modern service delivery.



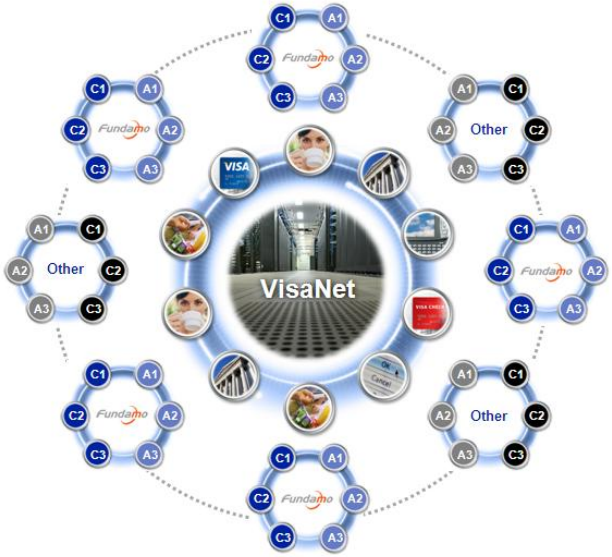
Two areas of development that may be applicable in First World Markets

New sets of mobile friendly standards emerging.

Utilising alternative channels to deliver banking products.

Visa Mobile Prepaid (VMP)

- Allows consumers to use mobile money at any transaction location in a secure and reliable manner supported by a standard set of Visa rules.
- Brings simplicity and security to daily financial transactions such as purchasing, paying bills, buying airtime, sending funds to friends and family, or loading or withdrawing funds.
- Creates a Visa account structure for mobile money accounts to enable interoperability between the mobile network and the financial services network
  - Consumers can now interact with acceptance points outside of their mobile network
  - Does not require changes to the existing acceptance network (ATMs and POS)
- Rules and operating procedures, rewritten, from the ground up, specifically geared for mobile payments.
  - Fully supported by Visa
  - Initially aimed at selected emerging markets



Potential impact on the Operating Rules

Merchant



- Retailers, billers and others who accept cards as a method of payment for their goods or services

Acquirer



- Signs up retailers
- Generates recurring reports/statements
- Provides customer service for retailers

Network

VISA

- Provides processing and operational systems
- Develops products
- Provides risk management
- Builds and manages global brand
- Develops new marketplace opportunities and promotes acceptance

Issuing Banks



- Issue cards
- Set and collect card fees and interest rates
- Provide customer service for consumers

Cardholders



- Individuals and businesses that conduct transactions to pay for goods and services

A new entry into the bank eco-system: Agents



The Role of Agents in the Banking System

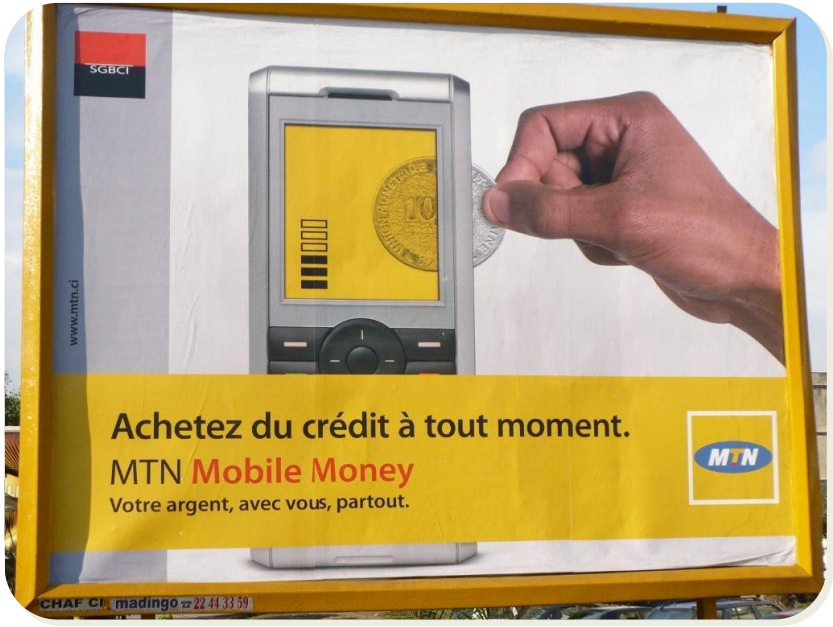
- Acquire clients by issuing payment instruments in a secure way on behalf of Financial Institutions
- First line of client support for queries and education
- Provide secure and cost-effective way to bring cash into the system
- Provide a secure way to convert digital currency into cash
- Provide secondary payment services (like bill payments etc.)



mKesh Agent

In Summary…

- The world is experiencing a mobile banking revolution in emerging markets.
- Tens of millions of people at the bottom of the pyramid are joining the world of digital payments.
- The problems being solved are not unique to emerging markets, yet the solutions are.
- New standards being developed in emerging markets may just as well become applicable in first world markets.
- Utilising alternative channels to distribute banking products will grow transactional banking business.



In Conclusion

"I went to the bank and proposed that they lend money to the poor people. The bankers almost fell over"

Muhammad Yunus



Thank You

Questions?

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