



Mobile Financial Services (MFS): Evolution in South Asian Markets

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Bangladesh

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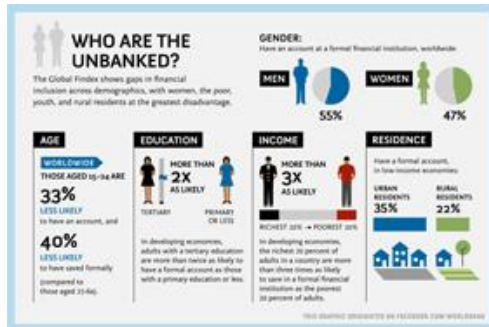
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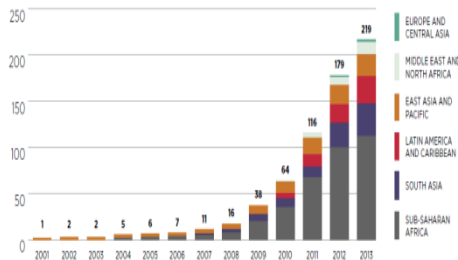
Global financial inclusion scenario: why focus on South Asia?

Country	Population	unbanked adults
China	1.36bn	36%
India	1.24bn	65%
Indonesia	238mn	80%
Brazil	201mn	44%
Pakistan	185mn	90%
Nigeria	174mn	70%
Bangladesh	166mn	60%

- 48% of the world's adult population are unbanked
- In South Asia, 60%-90% of the population is unbanked



- World Bank has taken up the ambition to reach universal financial inclusion by 2020
- MFS is the recognized channel for expediting financial inclusion process



- MFS began in 2001 with 1, and crossed 245 live deployments in 84 countries by June'14
 - Africa highest (52% of total deployments)
 - South Asia a distant 2nd (16% of total deployments)

Bangladesh: regulatory and market overview

1

Important indicators

- Population 166mn
- Literacy rate 57.7%
- GDP \$140bn
- Per capita \$1190
- Banking penetration 40%**
- Mobile penetration 74%

2

Legal & regulatory overview

- Regulated by 'Guidelines on Mobile Financial Services (MFS) 2011'
- Bank led model**
- Due KYC followed by banks and agents
- Transaction limit BDT 10K/day; BDT 25K/month
- AML/CFT under AML Prevention Act 2002
- Cross border money transfer not allowed

3

Market overview (EO June'14)

- First service launched in 2011
- Licensed banks 28**
- 20 banks offering service
- No. of agents over 414K
- Registered clients 16.7mn**
- No. of active accounts 6.7mn
- 22% of populations have used MM
- Monthly Transaction value \$1.1bn**
- No. of Monthly total transaction over 44mn

Bangladesh: challenges and recent move

Financial Inclusion Insight survey : Mobile money use in Bangladesh (Intermedia, 2014)

Mobile Phone		Bank Accounts		Mobile Money (MM) Use	
Indicator	Total	Indicator	Total	Indicator	Total
Own mobile phone	58%	Own bank account	18%	Used MM	22%
Own or can borrow mobile phone	95%	Own or have access to bank account	20%	Active MM user (past 90 days)	18%
Owns sim card	59%	Active bank account user (past 90 days)	12%	Registered MM user	3.4%
Own or can borrow sim card	94%			Registered active MM user	2.8%

Challenges

- One dominant player, need a more Competitive market
- Optimal use of distribution network and agents
- Awareness & Literacy to scale up further uptake

Recent move

- Amendments done in Sept'13 to address the fraud issues
- BB and BTRC are working on USSD pricing and security features of the guideline

India: regulatory and market overview

1

Important indicators

- Population 1.24bn
- Literacy rate 62.8%
- GDP \$1.67tn
- Per capita \$1500
- Banking penetration 35%**
- Mobile penetration 75%

2

Legal & regulatory overview

- Governed by Operative Guidelines for Banks
- Adopted a bank-led, BC Model**
- Tiered policies are in place for KYC
- KYC'd MM by non bank BCs limit of INR 5K/ day and INR 25K/month. Fully KYC'd accounts INR 50K/ transaction and INR 150K/month
- AML/CFT under Prevention of Money Laundering Act 2002
- Cross border money transfer strictly prohibited

3

Market overview (EO 2013)

- First Service launched in 2010
- Approved banks in operation 88**
- No. of BC agents over 220K
- Mobile banking customers 22mn**
- 0.3% of populations have used MM
- Monthly Transaction value \$83mn**
- No. of Monthly (avg.) transaction over 4mn

India: challenges and recent move

Financial Inclusion Insight survey : Mobile money use in India

(Intermedia, 2014)

Mobile phone		Bank Accounts		Mobile Money (MM) Use	
Indicator	Total	Indicator	Total	Indicator	Total
Own mobile phone	50%	Own bank account	47%	Used MM	0.3%
Own or can borrow mobile phone	85%	Own or have access to bank account	48%	Active MM user (past 90 days)	0.2%
Owns sim card	36%	Active bank account user (past 90 days)	25%	Registered MM user	0.2%
Own or can borrow sim card	82%			Registered active MM user	0.1%

Challenges

- Restrictive regulation
- Customer enrolment and relevant technical issues
- Sustainability of agent network
- Commitment and investment from Banks to reach last mile

Recent move

- RBI has released Draft Guidelines for “Licensing of Payments Banks” in India for the new concept of a payment bank
- Such a license will allow MNOs to operate mobile money subsidiaries and prepaid card instrument issuers to overcome the cash-out restrictions

Pakistan: regulatory and market overview

1

Important indicators

- Population 196mn
- Literacy rate 54.9%
- GDP \$236.5bn
- Per capita \$1300
- Banking penetration 10%**
- Mobile penetration 76%

2

Legal & regulatory overview

- The payment and settlement systems act 2007 governs banks
- Adopted a bank-led Model**
- Tiered policies for(Level 1,2 ,3 , entry accounts) are in place for KYC
- Maximum of 3 Tx/ per month. ; limits of PKR 10K
- Electronic Transaction Ordinance, 2001 permits an appropriate authority to provide or accept payment in electronic form

3

Market overview (EO March'14)

- First Service launched in 2009
- Approved service provider 8
- No. of agents over 148K
- No. of accounts 3.8mn**
- 7.9% of populations have used MM
- Monthly Transaction value \$933mn**
- No. of Monthly (avg.) transaction over 23mn

Pakistan: challenges and recent move

Financial Inclusion Insight survey : Mobile money use in Pakistan

(Intermedia, 2014)

Mobile phone		Bank Accounts		Mobile Money (MM) Use	
Indicator	Total	Indicator	Total	Indicator	Total
Own mobile phone	59%	Own bank account	7.4%	Used MM	7.1%
Own or can borrow mobile phone	80%	Own or have access to bank account	8.6%	Active MM user (past 90 days)	5.5%
Owns sim card	59%	Active bank account user (past 90 days)	6.4%	Registered MM user	0.4%
Own or can borrow sim card	79%			Registered active MM user	0.4%

Challenges

- Make customer transact digitally (94% use OTC)
- Improving KYC requirements for the entry-level account
- With more online business, there will be challenges of fraud and cyber crime
- The industry needs a pipeline of innovative financial services

Recent move

- EP have become interoperable with the existing banking infrastructure by launching the Inter Bank Fund Transfer (IBFT) service
- SBP is working to implement bio-metric verification for MFS accounts and transactions.

Sri Lanka: regulatory and market overview

1

Important indicators

- Population 22mn
- Literacy rate 91%
- GDP \$65.12bn
- Per capita \$3280
- Banking penetration 69%**
- Mobile penetration 99%

2

Legal & regulatory overview

- Mobile Payments Guidelines No. 1 for bank-led and No. 2 for MNO led m wallet
- Proportional identification with wallet thresholds limited for accounts without verified ID credentials
- Basic account is SLR 10,000 and greater balance up to SLR 25,000
- Non-bank led Mobile Wallets and Bank led Mobile Banking**

3

Market overview (EO 2013)

- First Service launched in 2007
- Approved m-banking service 10; mobile wallet service provider 3
- No. of agents over 16K
- No. of mobile wallet customer 1.2mn**
- Monthly Transaction value \$3.5mn**
- No. of Monthly (avg.) transaction over 34K

Sri Lanka: changes, challenges and recent move

2007-April 2012

- August'07, NDB and Dialog launched a MM product called eZ Pay
- By March'12, Dialog registered only 15K customers out of 7.4mn subs

July 2012- till now

- 2012, CBSL created level playing field
- eZ Cash launched in July'12
- Had 750K subs in first 100 days; In Dec '13, reached 1.2mn registered users

Challenges

- Lack of need or trust
- System difficulties
- Availability and affordability
- Adaptability issues of new interoperable model

Recent move

- Dialog enabled inter-operable mobile money service on its eZ Cash platform in March'14
- This initiative enables over 60% of the total mobile subscriber base in Sri Lanka to access and transact via eZ Cash mobile money accounts

MFS: direction for future growth

Interoperability

- Forums like ITU , GSMA, MENA Operators started to work on its modality
- A program of 10 leading operators was formed with five objectives:
 - Develop and promote a 'toolkit' to enable interoperability
 - Create and promote enablers for ecosystem development
 - Support implementation and scale of interoperability
 - Advocacy
 - Explore long-term strategic opportunities

Eco system development

- External companies and merchants are going to contribute larger share of the product mix
- More MM services capture the payments demand from companies and institutions to drive high volumes of transactions on their platforms

Growth of other MFS

- Mobile insurance, credit and savings are important new offerings and could serve to deepen financial inclusion

South Asian market comparison with Kenya



	Bangladesh	India	Pakistan	Sri Lanka	Kenya
Launch	<ul style="list-style-type: none"> ▪ 2011 	<ul style="list-style-type: none"> ▪ 2010 	<ul style="list-style-type: none"> ▪ 2009 	<ul style="list-style-type: none"> ▪ 2007 	<ul style="list-style-type: none"> ▪ 2007
Model	<ul style="list-style-type: none"> ▪ Bank-led 	<ul style="list-style-type: none"> ▪ Bank-led 	<ul style="list-style-type: none"> ▪ Bank-led 	<ul style="list-style-type: none"> ▪ Non-bank led Mobile Wallets and Bank led Mobile Banking 	<ul style="list-style-type: none"> ▪ Telco led
Banking penetration	<ul style="list-style-type: none"> ▪ 36% 	<ul style="list-style-type: none"> ▪ 35% 	<ul style="list-style-type: none"> ▪ 10% 	<ul style="list-style-type: none"> ▪ 68% 	<ul style="list-style-type: none"> ▪ 40.5%
MFS Market	<ul style="list-style-type: none"> ▪ 20 live Service providers 	<ul style="list-style-type: none"> ▪ 88 Approved banks 	<ul style="list-style-type: none"> ▪ 8 Service providers 	<ul style="list-style-type: none"> ▪ 10 m-banking; 3 mobile wallet providers 	<ul style="list-style-type: none"> ▪ 5 MM providers
	<ul style="list-style-type: none"> ▪ Monthly transaction value \$1.1bn 	<ul style="list-style-type: none"> ▪ Monthly transaction value (avg.) \$ 83mn 	<ul style="list-style-type: none"> ▪ Monthly transaction value (avg.) \$ 933mn 	<ul style="list-style-type: none"> ▪ Monthly transaction (avg.) value \$3.5mn 	<ul style="list-style-type: none"> ▪ Monthly transaction (avg.) value \$1.6bn

Findings on South Asian market



- The fastest growing market in 2013
- **Potential for more competitive market**
- **Need to enable level playing field and futuristic regulations**



- Restrictive regulation hindered growth
- Sustainability of BC is a big challenge
- Keeping MNOs role very limited didn't help
- **High level focus, changed regulations can help**



- **Progressive , balanced and sustainable approach**
- Participatory consultation and open minded regulator & industry
- Stepped toward the next phase of growth - interoperability



- **Balanced approach of regulator to make the market grow**
- MM took off since 2012
- Dialog enabled inter-operable MM service

Learning from South Asian market

Let MNOs play their part

- The regulator should utilize the existing skill set of MNOs rather than reinventing the wheel
- MNOs are better equipped and experienced to face the present and future complexities

Streamline bottlenecks to ensure compatibility of regulations

- Regulator needs to regularly monitor and review the regulations in line with the industry's feedback and international best practices
- Curbing the unnecessary restrictions or regulations can help the markets to expedite MFS uptake

A collaborative approach to building interconnected mobile money environments

- Customer needs ubiquity of acceptance as cash or card schemes
- Enable e-money transfers beyond the bounds of a single operator or bank scheme
- Will cause greater transaction volumes and increase MM value proposition

Conclusion

State patronage in the form of linked corporate social services can expedite MFS adoption

Interoperability is increasingly becoming a reality and policymakers to work on enabling the environment

Right partnership can bring a win-win synergy which can bring customer convenient, affordable and secure MFS

Regulators should ensure compliance, a level playing field and enable competition which in turn will take care of rest

Thanks😊

