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Tuesday 29 September 2009

Workshop C

Dial M for Money: Empowering Access to Finance

The session was held with panelists: **Mohammed Chowdhury** (MC), Director of External Affairs, Vodafone Egypt; **Marina Solin** (MS), Project Director, GSM Association; **Mohamed Wahba** (MW), Vodafone. Below are excerpts from the session.

MC: First of all I would like to welcome everyone, and say that it is a pleasure to be hosting this 45 minute workshop. We would like to spend a little time introducing some of the topics, issues and operations that surround the mobile financial area. If we cast our minds back to this morning's session, a lot of focus was being put on the economic challenges we are facing, and how to look towards new opportunities. Mobile banking is an area that can be very rich. This sector offers the opportunity for us to connect the large financial sector to people that do not have access. This opportunity is of great importance as it allows us to come together in ways that would provide access to the unbanked sectors of society.
I would now like to introduce you to the Vodafone team Marina Solin and Mohamed Wahba.
For those of you who are new to this industry, I would like to explain what we mean by mobile financial services. This is an industry that has an increasing number of terminologies. These services that can be accessed through the mobile network, are available to people that have accounts, i.e. those who make bank payments or deposits, have access to a bank account, and so on. There are also a range of services that can be used by these people, such as making payments via the mobile network. This service is referred to as an m-payment. Mobile money transfers are available for the unbanked population as well.

MS: The GSM Association is a trade association that represents more than 750 mobile operators worldwide. It accounts for approximately 4 billion customers. The association's primary goal is to ensure that services work well globally, and to create new business opportunities for the industry.
At the beginning of the year, we did a census in among mobile operators in the market with the help of McKenzie. What we found is, that there are more than 120 mobile money deployments in over 70 countries. Our market projection for the industry is that there should be 364 million unbanked customers that will be able to access these services, with an adoption rate of 17%, amongst mobile users, and 60%, amongst unbanked users. Of course, all of these projections need to be studied carefully, but we do have 2 markets that have been successful globally; Kenya and the Philippines.
The objective of GSM is to provide mobile money to 20 million customers, who are unbanked, and to extend the reach and reduce the costs of this service. I would now like to show you a short video of a case study in Kenya, on Mpesa.

MC: We need to have a real understanding of how mobile financial services (MFS) work. For this to happen, we need the following: a regulatory frame work, channels for cash-in and cash-out, technology, greater customer education and trust, and finally a risk based approach. A strong regulatory framework will be critical, as we will be bring financial services, and mobile services together, and will need the views of both industries regulatory bodies, if we are to be successful. Having channels for cash-in and cash-out, will allow us to achieve a market of mass scale, as we have seen in other countries. These channels will be crucial in creating a distribution mechanism that will allow us to reach the people. We have already started to see cooperation between mobile and banking operators, and mobile operators have begun to really penetrate rural areas. However, these steps on their own are not enough we need better technologies and to consider our customers when introducing them to this new industry. The simpler the system is, the more frequent users we will have, and if in the future there is a need for more sophisticated services, we can start looking at this once users become familiar with the original system. Finally we must consider our approach. Having an approach that is as water tight as possible is critical. If when this type of service launches, we face problems, we will lose customer trust.

MW: I would like to explain the process of payment. For example, if I have a mobile account registered, and my wife and kids are living in the village, whilst I am working in Sharm El Sheikh, and I want to send them money, I go to the agency and deposit the money. I then get confirmation of my deposit via SMS, and all I have to do is go home and dial in wife's mobile number and the money is sent to her. My wife will then receive an SMS informing her that she received money from me, and all she has to do is go to her nearest outlet and cash out the money.

Q&A

Floor: If you live in a remote area, how can you pay?

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MW: The money will be removed from other outlets, such as telecom operator outlets, that are more widely available.

Floor: Regarding mobile payment regulations, I would like to discuss the issue of accounts. Firstly, all mobile operators are working with banks. Secondly, there are ceilings to the funds per bank. Thirdly, mobile users and agents have accounts and transfers are already happening within banks. The solution that has been put together for Egypt is very safe. Accounts are isolated from regular accounts so there is a closed system.

MC: To build on this, essentially what is happening is that the potential of this system is being expanded, so that we can reach people that have no access to bank branches, and, as I explained early, these transactions still go through banks.

Floor: Why do you need the bank's support? What is the value of this?

MC: In this industry there are neither unique nor standard approaches. Every country will have its own regulations. In 10 years time, we may see a single model, but it's very hard to predict.

Floor: Will there be any limitations to these money transfers?

MC: It depends on how things develop. The sizes of the financial transactions can be limited, as regular transactions in Egypt are. This limitation allows for a maximum transfer of 5,000 L.E per day. One of the reasons the limit was put forward, was to avoid money laundering. As the industry evolves we may be faced with tighter regulations, but for the moment, it is not developed enough to make this necessary.

Floor: So where are you offering these services at the moment, and what are your projections on how well this new industry will be received by Egypt?

MC: Well we are already offering these services in Kenya, in the form of internet services.

MS: In Kenya, through Mpesa, you can send money to anyone who has a phone. If you are not a Mpesa customer, you can only receive money. Mpesa is a subsidiary, set up by Safaricom, and it operates as a non-bank, operated by the mobile operator with the central bank regulate its services.

Floor: What is the fee range, and is this rate fixed or variable?

MS: It starts as a fixed rate and increases depending on the amount of money involved in the transaction. Rates are perceived to be very cheap amongst customers, especially when compared with the same off net services which have more expensive rates.

Floor: The main hurdles seem to be security and the regulatory system. Is GSM is working to create a worldwide system?

MC: GSM is working with operators and financial institutions from all over the world. At the end of the day, countries have to make their own decisions in terms of regulations. However, you are right, creating a global system, should be the next stage in the evolution of this industry.

Floor: If you need a regulatory framework, and for banks to be involved, what are the incentives for mobile operators to get involved in this industry?

MC: The incentives available are very strong. The value of this industry to mobile operators is very important because of greater access to customers, who were originally not part of the mobile network. I would also like to add, that by encouraging financial services, we may also be encouraging other types of data services. Strategically, the provisions for MFS will increase customer loyalty, which will have a spillover effect that will trickledown into other areas of the industry.