

Mobile based financial services for the BOP: Experiences from the South

Research conducted by Erwin Alampay, PhD &
Gemma Bala

Presented by Nilusha Kapugama



This work was carried out with the aid of a grant from the International Development Research Centre, Canada and the Department for International Development, UK.



Why don't the poor have access to financial services?

- ❑ Little savings
 - Cannot open a bank account

- ❑ Transactions maybe too small to be done via formal banking institutions
 - Cannot use formal money transfer methods

- ❑ No collateral
 - Cannot obtain a credit facility

- ❑ Lack of accessibility to branches, geographically

Mobile based financial services

- *“broad range of financial activities that consumers engage in or access using their mobile phones”*
(Boyd and Jacob, 2007:6).

- Types of Mobile Financial Services:
 - mobile banking (m-banking)
 - mobile transfer (m-transfer)
 - mobile payments (m-payments)

m-banking

- ❑ “financial services delivered via mobile networks and performed on a mobile phone” (Bångens and Söderberg 2008: 7)

- ❑ Types of m-Banking
 - Bank Led
 - customer conducts financial transactions at a whole range of retail agents (or through mobile phone) instead of at bank branches or through bank employees.

 - Non-bank led
 - a bank does not come into the picture (except possibly as a safe-keeper of surplus funds) and the non-bank (e.g. Telco) performs all the functions.

Mobile based financial services contd...

□ Mobile Transfers (m-Transfers)

- The use of a mobile phone to transfer funds from one person to another
 - Phone to Phone
 - Phone to retail agent
 - Retail agent to phone
 - Retail agent to retail agent

□ mobile payments (m-payments)

- The payment for goods or services via a mobile phone.

Implications of mobile based financial services

□ For the BOP

- Cost effective method of transferring money
- More secure (for the unbanked using informal system)

□ For Telecom Providers

- Low churn rates
- New forms of earning revenue

□ For Financial Institutions

- Reaching the unbanked
- Increased customer loyalty



The case of Philippines

Comparing G-Cash and Smart Money

Criteria	G-Cash	Smart Money
Underlying Account	Deposit with GXI, subsidiary of Globe	Prepaid MasterCard account issued by Banco de Oro
Identification	Formal ID required for cash in and cash out, as per Central Bank Policy	Formal ID required for cash in and cash out as per Central Bank policy
Cash in/Cash out	Globe or other accredited merchants (retail agents)	Smart fulfillment centers; debit cards at ATMs
Electronic Load options	By transfer from other user Transfer from registered bank account at certain banks	By transfer from other user Transfer from registered bank accounts at certain banks
Transfers	P2P in real time to other GCash accounts Can be used to buy airtime	P2P in real time to other SMART Money accounts Can be used to buy airtime (or converted to loads)
Remittances	Yes, via cash in at remittance partner who send G-Cash credits to recipient in the Philippines	Yes, via SMART Padala agents

How are the services doing so far?

□ GCash

- A user base of 1.4 million as of 2008
- Average transaction volume per month of Php 6.23 billion (USD 134 million)

□ Smart Money

- Php 41million (USD 803,921) in revenue alone for SMART Telecom
- Total remittances:
 - US\$28.9Mn from abroad
 - US\$113.7Mn domestically

Demand for the service is predominantly in

higher income groups

Potential for m-money to the BOP

- From the data obtained from the Teleuse@ the Bottom of the Pyramid 3 survey (T@BOP) we see that:
 - 9% of survey respondents (n=800) from the Philippines has a relative living abroad, and 13% living in another part of the country.
 - Of the above (n=172), 61% said their relatives who worked overseas or in another part of the country sent money back to them.
 - 70% of them do so at least once a month.

Local remittances among Filipinos

▣ Remittance channels/ Money transfer outfits serving the poor

Pawnshops

Around 12,000 pawnshops
used to remit Php 500- Php 1000 to other parts of the country

Why Pawnshops?

informal/ casual environment
No maintaining balance (unlike ATMs)

▣ The Case of CebuanaLhuiller

1,000 branches nationwide (near markets and in town plazas)
20,000 estimated transactions per day,
14,000 are domestic transactions, 70% of the total remittances

For transferring Php 1000...

		<u>Cash-in</u>	<u>Sending Remittance</u>	<u>Cash-out</u>	<u>Total (Price range)</u>
M-money	GLOBE GCash	Globe Wireless Center (no fee) Partner Center 1 (1% or Php 10) Partner Center 2 (5%)	Php 2.50 per SMS	(+ confirmation SMS: Php2.50) Globe Wireless Center or Partner Center 1 (1% or Php 10) Partner Center 2 (5%)	Php 15 to 105
	SMART Money	SMART Wireless Center and other Partner Centers (no fee)	Php 2.50 per SMS	SMART Wireless Center or Partner Center 1 (1%) Partner Center 2 (5%) BDO/ EPCI ATM (Php 3) Express/ Megalink ATM (Php 12)	Php 5.50 to 55
Pick-up Remittance	Western Union	---	Php 65	---	Php 65
	Cebuana Lhuillier	---	Php 60	---	Php 60
Delivered Remittance	LBC Peso Pak 24hr Door-to-door	---	Php 140	---	Php 140
	LBC Peso Pak 48hr Door-to-door	---	Php 95	---	Php 95

Adoption of Mobile based financial services by the BOP

- Applies Van Dijk's (2006) Stages of Access to Digital Technologies to the potential adoption and use of m-money for remittance among the BOP
 - **Mental access:** The awareness and trust in m-money services
 - **Material access:** Access to a mobile phone and service support structures
 - **Skill access:** The capability to carry out m-money transactions

Mental Access

- According to data obtained from LIRNEasia's Teleuse@BOP3 survey,
 - Awareness at the BOP – 23%
 - Of those unaware, 38% willing to use it
 - 4% said trust as an issue
 - 1% said they were happy with their current method of remittance

- **Challenges**
 - Low awareness about
 - m-transfers
 - the financial advantages of using m-transactions
 - Need to develop trust among users through effective systems for addressing complaints

Material Access

- ▣ Of those survey for T@BOP3
 - Only 13% of the BOP reported having access to a bank account.
 - On average, there were 1.36 mobile phones per household

- ▣ **Challenges**
 - developing innovative ways for cashing out
 - consider alternatives such as retail network of prepaid/loading centers; partnering with pawnshops; gasoline stations, etc.
 - Need to take into account the literacy levels at the BOP
 - May need to develop in local language

Skills access

The T@BOP3 survey shows that:

- 99% of Filipino BOP mobile owners know how to use SMS
- 98% write their SMS on their own
- 95% use electronic reloads
- 40% get load transfers from others (n=507).

Challenges

Overcoming the inaccurate perception that more soft skills are required to access the service

- building confidence

Policy and regulation challenges

1. Tracking usage

Prevention of fraud and laundering

2. KYC regulation has an effect on increasing access

how to address problem of IDs among the BOP

3. Protection of the customer

customers need to be assured that their transactions are secure

4. Proper redress mechanisms need to be in place

To handle customer complains

Thank you

For Comments and Questions:

Erwin Alampay
Gemma Bala

[http://lirneasia.net/wp-content/uploads/2008/05/Mobile-2.0 Final Hor EA.pdf](http://lirneasia.net/wp-content/uploads/2008/05/Mobile-2.0_Final_Hor_EA.pdf)

[http://lirneasia.net/wp-content/uploads/2008/05/Mobile2.0 EA Ver 01092009.pdf](http://lirneasia.net/wp-content/uploads/2008/05/Mobile2.0_EA_Ver_01092009.pdf)