

Mobile 2.0: m-money for the unbanked

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E-money to m-money

“stored value or prepaid payment mechanisms for executing payments via point of sale terminals, direct transfers between two devices, or over the computer networks..” **IN THIS CASE THE MOBILE PHONE.**

*Stored value products include hardware or card-based mechanisms (**electronic purses or wallets**), and software or network based cash (also called digital cash).”* (Basel, 1998:3-4)



Local Models

- **SMART Money** (2001)
 - In 2006, had US\$29M remitted from abroad; US\$113.7 million local transfers
 - 0.5M active SmartMoney SIMs
- **G-Cash**
 - 1.4M user base in 2007; \$133M transactions/mo.
- Demand has been largely from high income, urban dwellers (Proenza 2007)

Can this be
expanded to the
BOP?

Rationale for m-money

- Improving efficiencies, security
- Reduction of transaction costs, and risks
- Expanding financial services to the unbanked



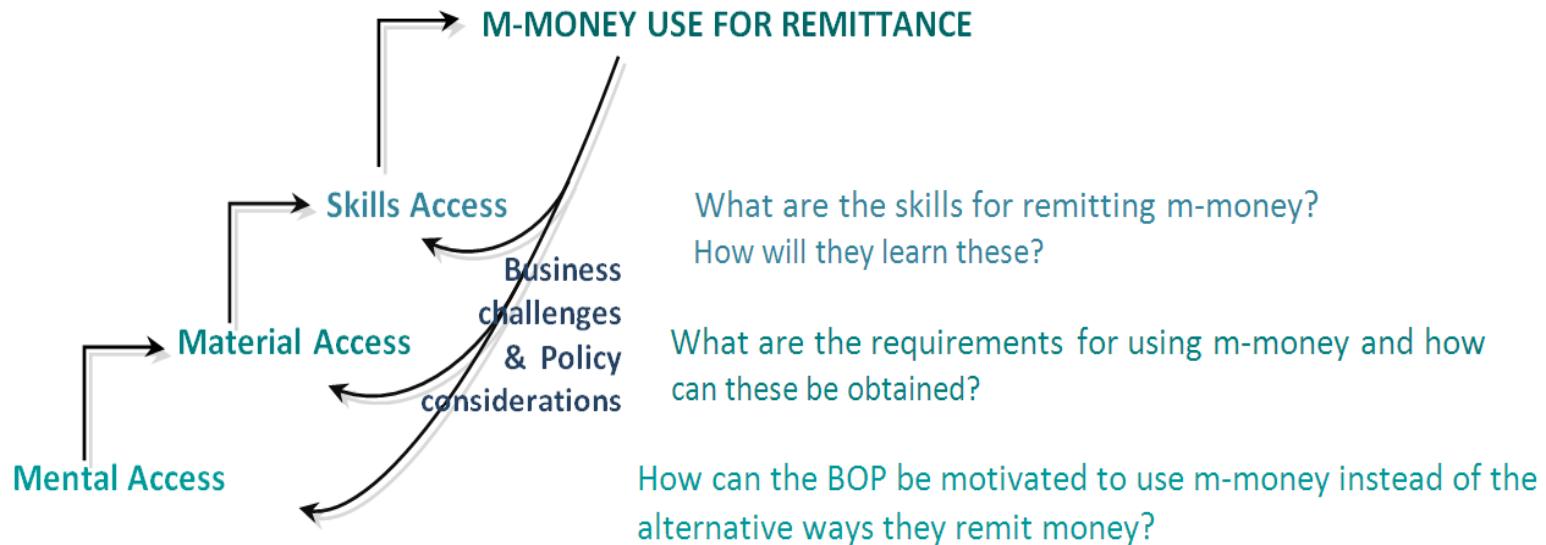
Remittances

- Second Largest source of development finance
- More stable and less volatile compared to other forms of investment
- Generated \$305 Billion in 2008 (World Bank)
- \$16B in the Philippines (BSP 2008)

Stages of access to m-money for remittances

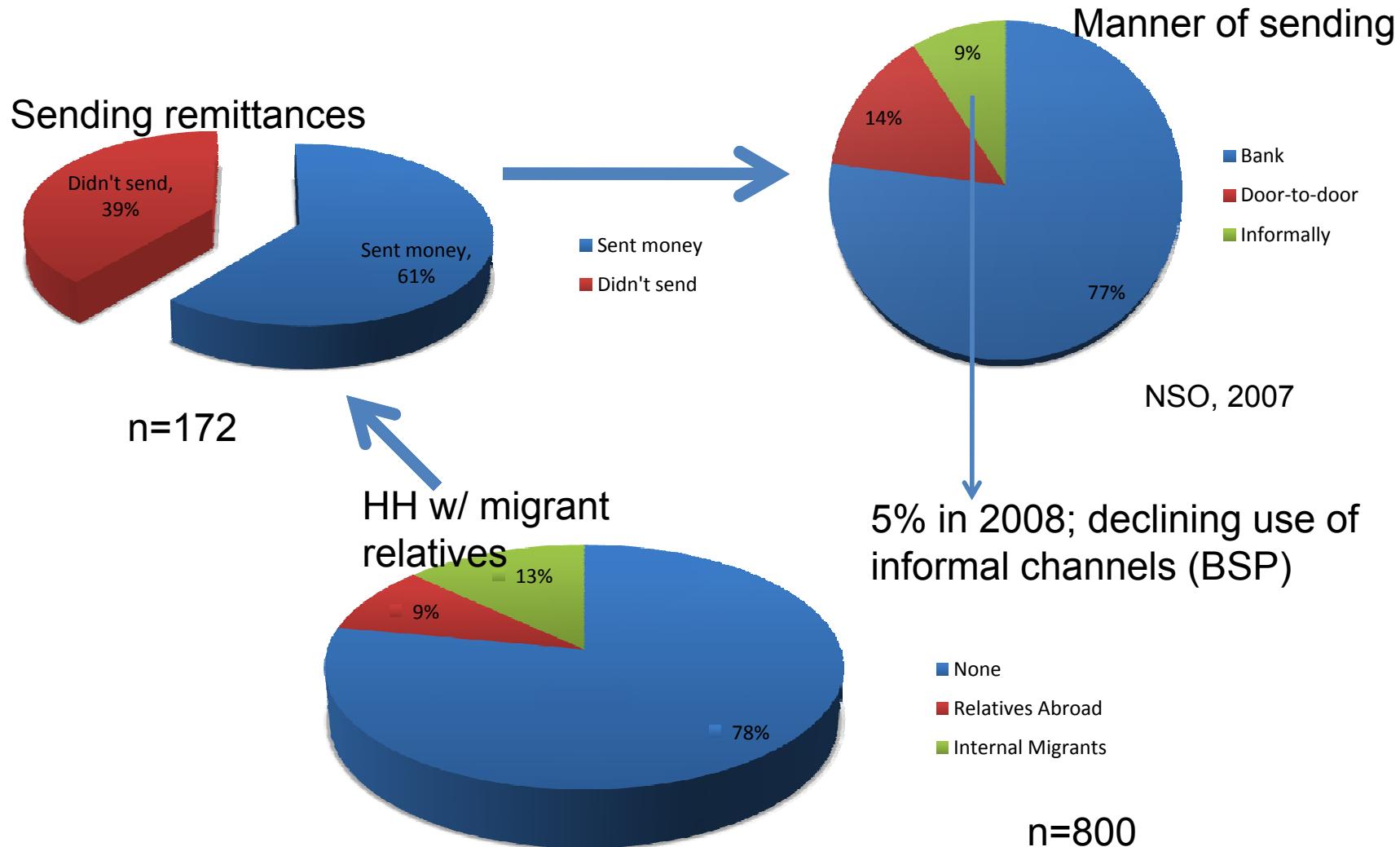
PHILIPPINES IS A VIABLE CANDIDATE:
but question is whether it is viable for the
BOP in the country?

LirneAsia 2008 Teleuse@BOP3 Survey
CKS Consulting 2009Teleuse
@BOP3:Qualitative Study



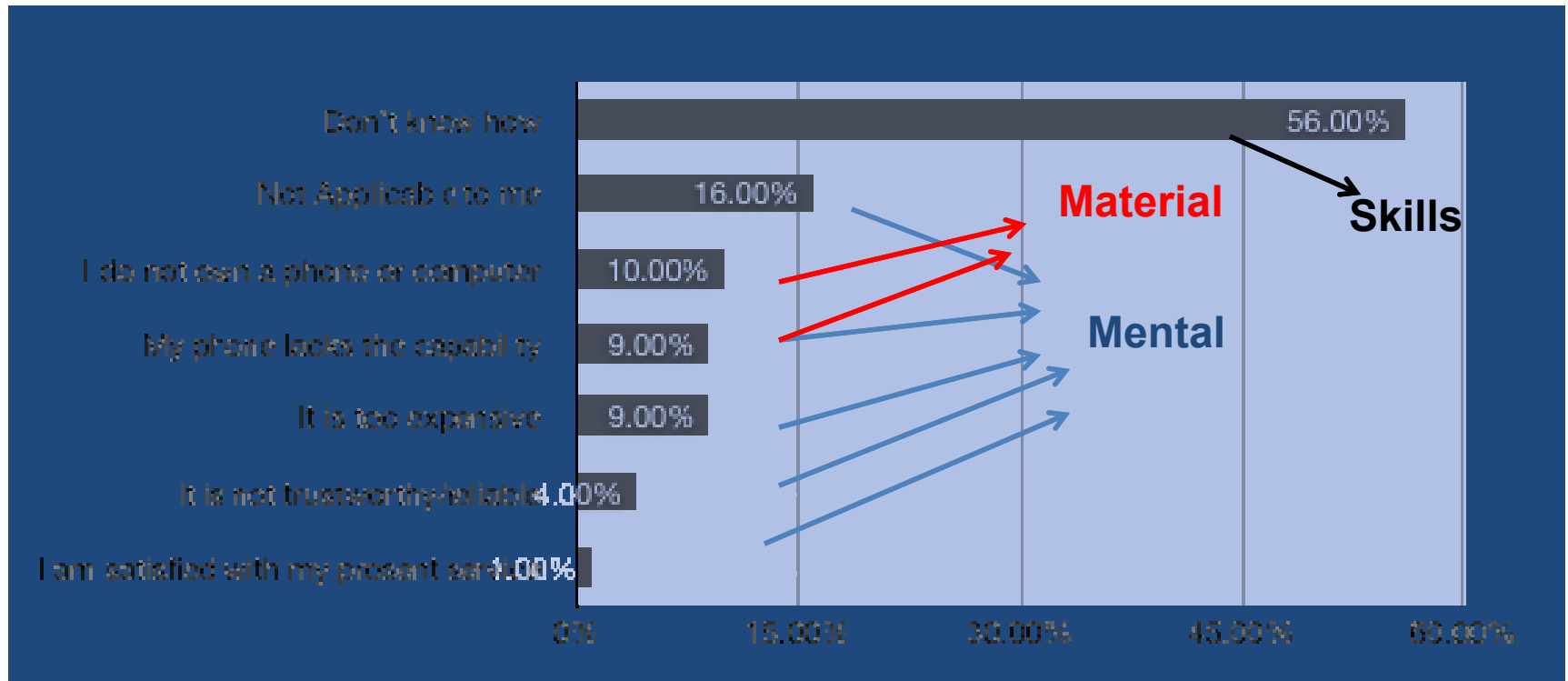
Adopted from Van Dijk (2006)

BOP, Migrants and remittances



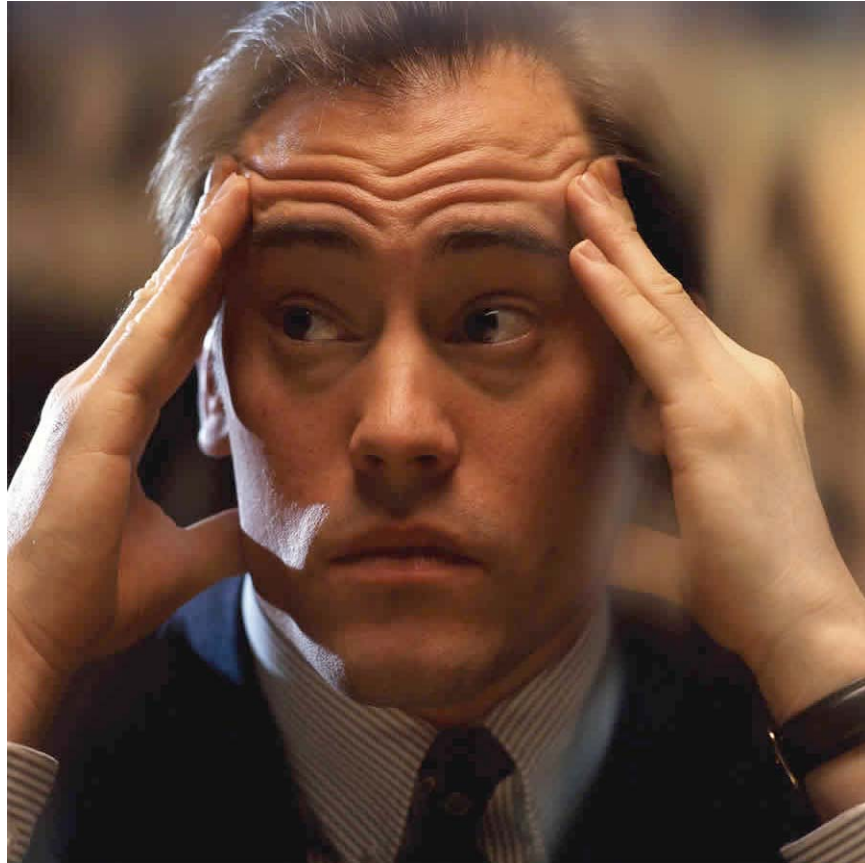
Reasons for non-use of m-payment

LirneAsia survey (2008); Aware non-users of m-money (n=294)



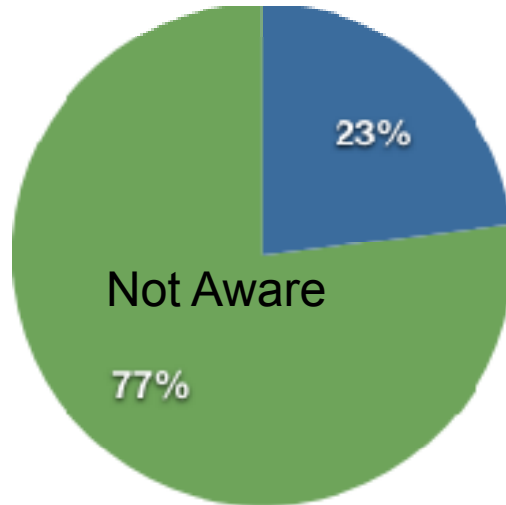
Mental Access

- Awareness
- Interest
- Benefits to use
- Trust

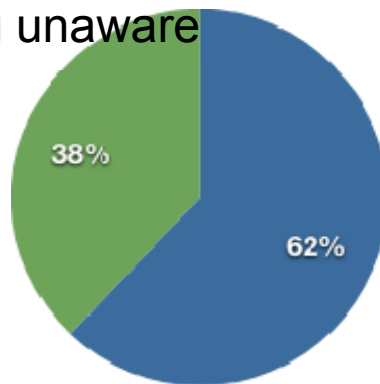


Awareness and Interest

Awareness among Filipinos @ the BOP that you could use mobiles to transfer money, n= 800



Interest among unaware



Are there alternatives?
Are they better?
Is it more reliable?

Trust

FGDs reveal higher trust for other traditional and informal ways than their own ability to send money

Scale Used:

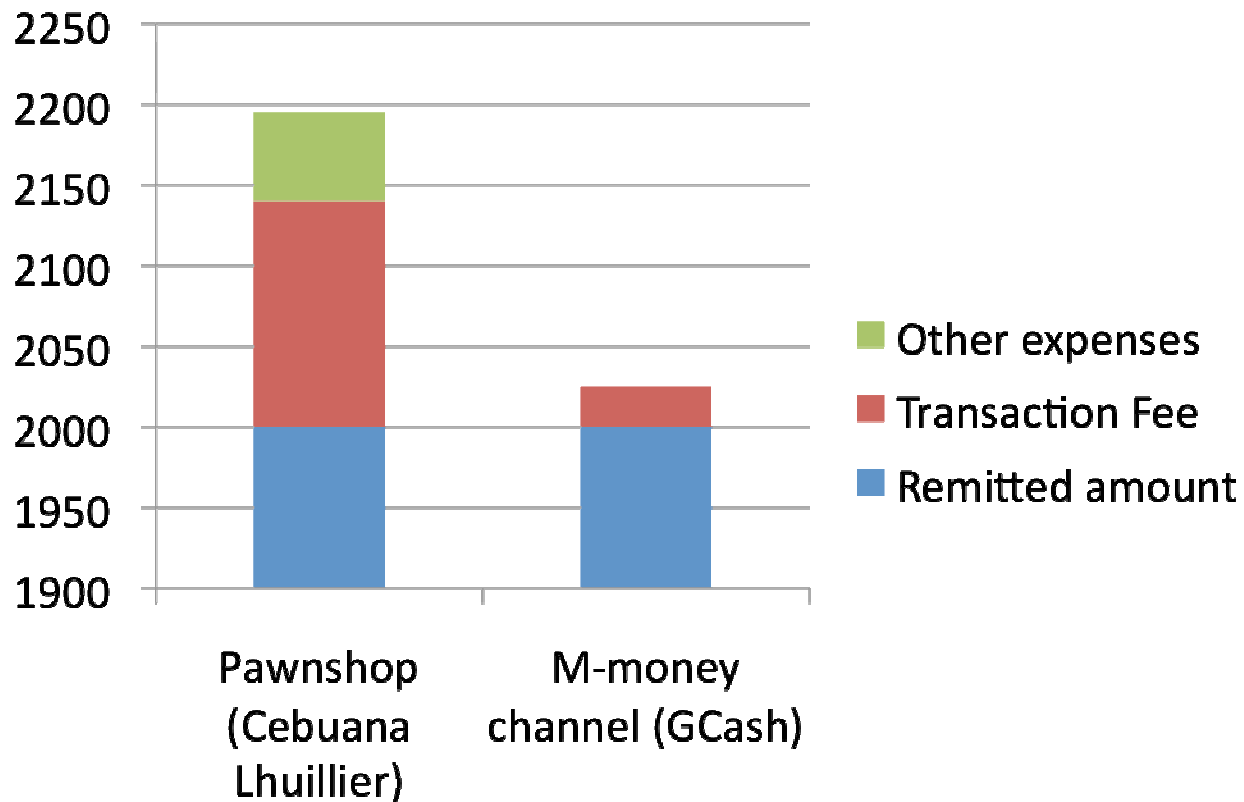
- 1 - I distrust this method completely
- 2 - I Somewhat distrust this method
- 3 - I neither trust nor distrust this method
- 4 - I Somewhat trust this method
- 5 - I trust this method Completely

- Need to see the service work/do well;
- Be used by people they know/trust
- Be competitively priced

	Bangladesh	Pakistan	India	Sri Lanka	Philippines	Thailand
Top-up cards	4.60 (360)	4.38 (450)	4.57 (1137)	3.71 (467)	3.89 (26)	4.63 (681)
Electronic reloads	4.66 (845)	4.41 (511)	4.26 (299)	3.57 (277)	4.63 (482)	3.99 (265)
Load transfers from others		4.14 (138)	4.09 (71)		4.47 (203)	4.58 (132)

Domestic Remittance Rates: M-money Channels vs. Traditional Channels

in Philippine Pesos



*For FYI only	Remitted Money	Transaction fee	Other expenses
Pawnshop	2000	Php 140	(travel fee) Php 55
M-money	2000	Php 25 (includes SMS and cash-out fees)	none

International Remittance

m-money vs. traditional methods

G-Cash – Maxis

5 ringgit text message
5 ringgit fixed transaction fee

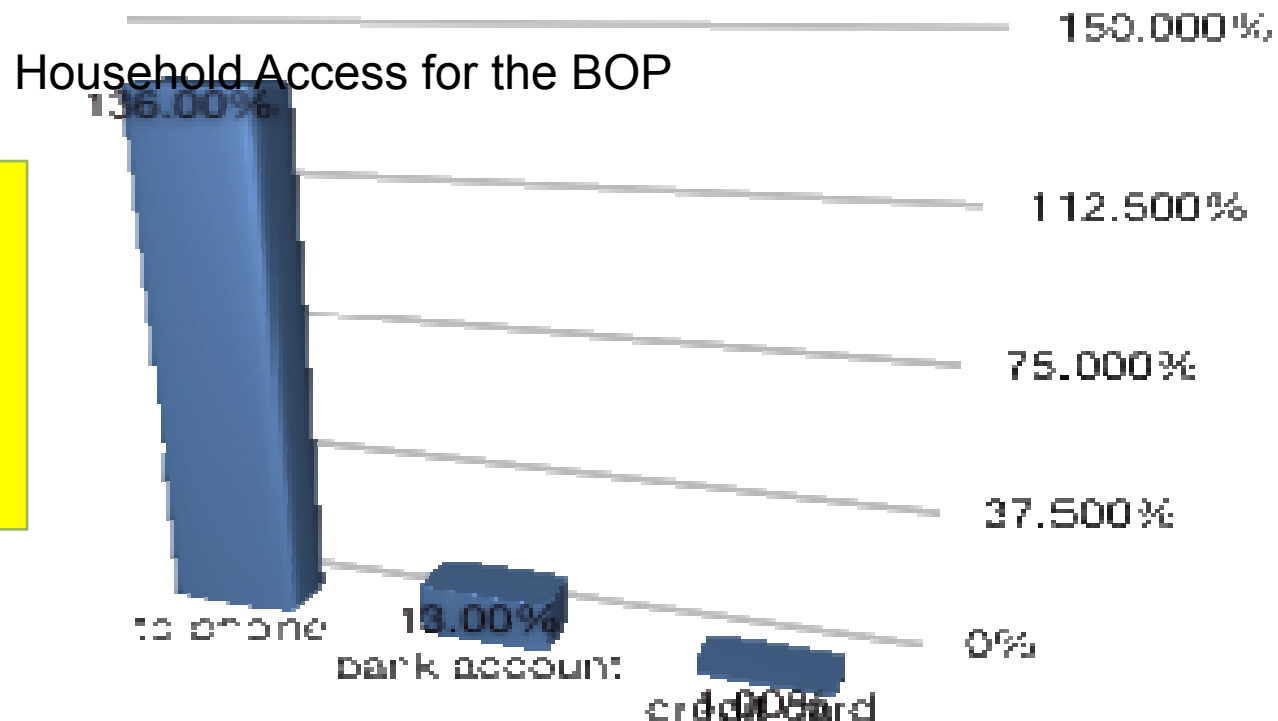
Western Union (for 500 ringgit)

17 ringgit transaction fee

**Saves about 7 ringgit or US\$2 for a
500 ringgit transaction**

Note: cost savings is dependent on amount being sent, and hidden costs can be from text messaging fees and exchange rates. It should be noted that even in traditional methods, calls/texts are also eventually made.

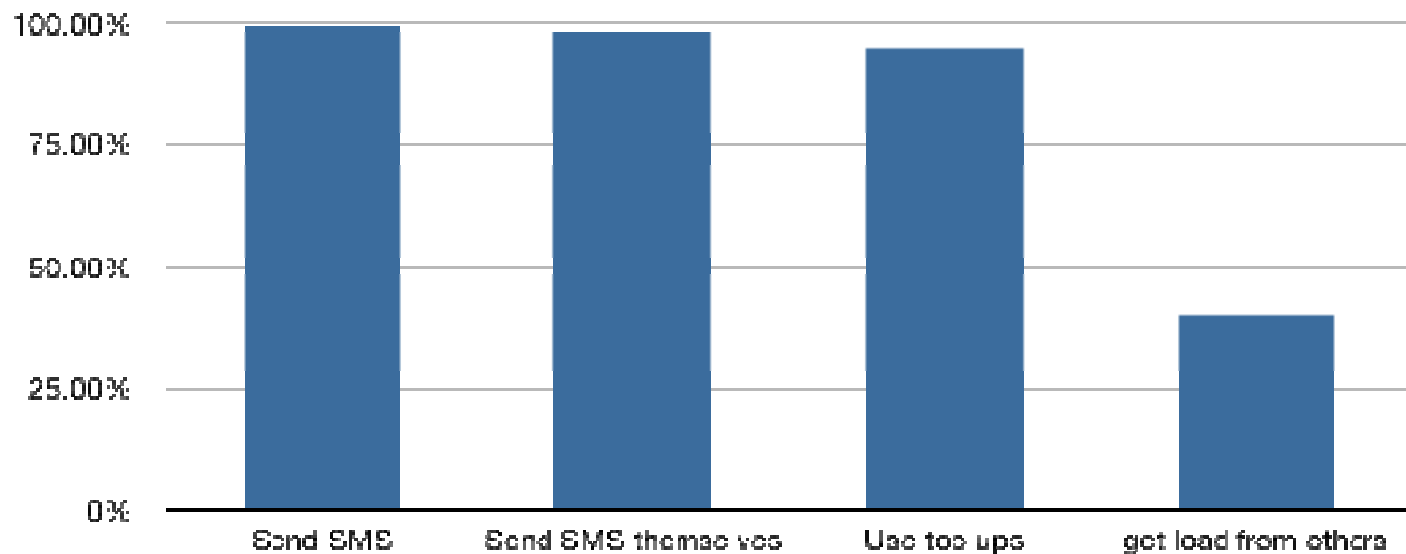
Material Access



On ave.
BOP are
just 4.6
mins. Away
from getting
e-load

Skills Access

56% don't know how to use m-money, BUT:



Conclusions

Only 1% of BOP have used mobiles for banking and 5% have used it for payments/receiving money

- Benefits of m-money, esp. international remittance, are difficult to compute
- But low usage can be overcome given high interest, high access, high trust in e-transactions, and existing skill sets among the BOP.
- While some BOP don't have personal mobiles or mobiles that provide the service, this can be overcome through current strategies of multiple SIM use and sharing.

Recommendations

- **Better marketing of remittance service to BOP**
 - Focus on how tos
 - Correct the misperception of costs
 - Highlight savings; transparency in rates
- **Need to expose BOP more**
 - low confidence in use is more a function of lack of exposure to the application among the BOP
- **Maximize existing network of load centers to make e-money cash out/in more attractive and less costly**