Mobile Banking Overview - What Is It About?
Understanding Electronic Banking

There is no limit to the range of transactions and services for which electronic money could be used, whether through mobile phone or card or other forms of electronic banking.

**ELECTRONIC (E)**

**E-Money**
A means of payment, an electronic alternative to cash. It is monetary value stored electronically on receipt of funds, and which is used for making payment transactions.

**E-Banking**
Banking transactions conducted through computerized systems intended to speed operations, reduce costs, and allows bank’s customers to request information and carry out most retail banking services via computer, television, mobile phone, or via other electronic means.

**MOBILE (M)**

**M-Money**
A subset of e-money referring to financial services and transactions made on a mobile phone (may or may not be tied directly to a personal bank account).

**M-Banking**
Usually involves the connection between a mobile phone and a personal or business bank account. Mobile banking allows customers to use their mobile phones as another channel for their banking services such as deposits, withdrawals, account transfers, bill payments and balance inquiry.
Key Players in Mobile Banking

<table>
<thead>
<tr>
<th>Players</th>
<th>Roles</th>
</tr>
</thead>
</table>
| Banks                        | • Offer banking services  
                              • Hold float or accounts in customers’ names  
                              • Ensure compliance with financial sector regulation  
                              • Promote use of new banking channels with new clients (SME, corporate clients)  
                              • Bring customers into full banking relationships |
| MNOs                         | • Provide infrastructure and communications services  
                              • Acquire clients / can be super agents  
                              • Co-marketing and branding with banks |
| Agents/Retail Networks       | • Perform cash-in /out functions  
                              • Can open accounts  
                              • Support marketing/sales  
                              • Customer service |
| Payment Service Providers    | • Provide payments infrastructure  
                              • Provide IT platforms |
| Regulators                   | • Provide enabling environment  
                              • Protect stability of financial system  
                              • Encourage and protect behavior change |
The full M-Banking Ecosystem & Products

Agent retail networks can play a key role in connecting the players and products in the ecosystem.

1a P2P TRANSFERS between mobile wallet holders

1b P2P int’l remittances

2a BILL & REMOTE PAYMENTS
- Mobile wallet holders pay regular bills direct to utilities (electricity, water, insurance...) and pay for remote purchases, e.g. via internet

2b B2B SUPPLY CHAIN PAYMENTS
- Retailers pay suppliers via mobile wallets

3a TOP-UP
- Mobile wallet holders can recharge pre-paid airtime using m-Wallet

3b MERCHANT PAYMENTS

3c CASH-IN/CASH-OUT

4a G2P PAYMENTS
- Government disburses pensions and benefits to households via mobile wallets

4b SALARY PAYMENTS
- Companies can pay wages directly to mobile wallets

Financial Services
- Credit
- Savings
- Insurance

ENTERPRISES

Companies and Utilities (Water, Electricity...)

HOUSEHOLDS

RETAIL SECTOR

FINANCIAL INSTITUTIONS

GOVERNMENT SECTOR

TELCO

Agent retail networks can play a key role in connecting the players and products in the ecosystem.
The exact mix of these components and their relative importance is a function of the strategy adopted.
Mobile Banking IS NOT about technology

It is a technologically enabled business proposition

There are many business options to choose from and this choice is driven by organizational strategy

There is technology available on the market to support (almost) any choice made by business
What The Global Industry Looks Like
State of the global industry in numbers

- 194 - branchless banking and mobile money deployments across the world
- 6 services with more than 1 million active customer accounts
- 28 - Countries in which there are more mobile money agents than bank branches
- 81.8 million registered customers globally and with the total number of deployments on a global basis growing by almost 38 per cent
- There are now more mobile money accounts than bank accounts in Kenya, Madagascar, Tanzania and Uganda
- In some countries, the total value of mobile money transactions is equivalent to a significant proportion of the country’s overall GDP; In June 2012, it was equivalent to more than 60 % of GDP in Kenya, more than 30 % of GDP in Tanzania, and more than 20 % of GDP in Uganda.
- More than 30 million people undertook 224.2 million transactions totalling $4.6 billion during the month of June 2012 alone.

Source: GSMA Global Mobile Money Adoption Survey
Different Models in Emerging Markets Today

Mobile financial services are delivered through different entities ranging from bank to MNO and third party or any combination thereof.
### Sample Business Models

- These models reflect different strategic priorities of the businesses involved.
- Regulation, market structure, and other factors will help determining what model may be more attractive to pursue in one country.
- All of the business models need a network of agent locations
- Agent-based acquirers (or agent network managers) can offer a valuable proposition to any of the other three businesses

<table>
<thead>
<tr>
<th></th>
<th>MNO Led</th>
<th>Mobile Bank</th>
<th>Licensed Mobile Financial Service Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value proposition to client</strong></td>
<td>Move small amounts of money electronically anywhere</td>
<td>Full suite of banking services via mobile phone</td>
<td>Single electronic interface to all financial service providers and MNOs</td>
</tr>
<tr>
<td><strong>Legal structure</strong></td>
<td>Independently licensed or subsidiary of bank or MNO or other. Float held bank (or trust account)</td>
<td>JV between bank and MNO</td>
<td>Independent service provider (technology company)</td>
</tr>
<tr>
<td><strong>Business Logic</strong></td>
<td>High upfront investments and low margin per transactions; so large volumes needed to recover investment</td>
<td>Margin spread across different products, need not be volume based</td>
<td>Fees charged to financial service providers. High upfront investments and low margin per transactions; so large volumes needed to recover investment</td>
</tr>
<tr>
<td><strong>Revenue drivers</strong></td>
<td>Transaction fees</td>
<td>Transaction fees + interest income</td>
<td>Transaction fee, services fees</td>
</tr>
<tr>
<td><strong>Key partnerships</strong></td>
<td>Billers, acquirers, switchers</td>
<td>Bank and MNO</td>
<td>Banks, MNOs, Billers, acquirers, switchers</td>
</tr>
<tr>
<td><strong>Role of prudentially regulated institution</strong></td>
<td>Holds float for the service provider</td>
<td>Holds the accounts and owns the customer</td>
<td>Holds the accounts my own customer, customers can also be owned by bank partners</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td>M-Pesa, Kenya</td>
<td>EasyPaisa, Pakistan</td>
<td>WING, Cambodia</td>
</tr>
</tbody>
</table>
Illustrative Business Case For Banks
**Why does M-Banking make sense?**

### For Banks:

<table>
<thead>
<tr>
<th>Expand customer base</th>
<th>- M-Banking is one of the most <strong>cost-effective</strong> channels for delivering financial services to the mass market and to expand the customer base for banks and FIs exponentially by expanding into new customer segments and untapped geographic areas.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capture additional fee revenue</td>
<td>- M-Banking channels generate multiple sources of revenue per customer by adding new products.</td>
</tr>
<tr>
<td>Reduce operating cost of delivering financial services</td>
<td>- M-Banking channels cost significantly less than traditional channels (a mobile banking transaction can be done at 10-15% of the branch banking cost). Significant capex at the start is offset by the drop in cost per transaction and the profit made from offering core financial products to a large customer base. M-banking projects turn cashflow positive in about 5 years from making the investment.</td>
</tr>
<tr>
<td>Lower cost of funds</td>
<td>- M-Banking enables low cost fund mobilization hence reducing overall cost of funds.</td>
</tr>
</tbody>
</table>

### For Customers (Individuals and SMEs):

- **Access to the formal financial system**: access to a bank account and banking services for the hitherto unbanked.
- **Building a financial history**: banks can better understand the financing needs and spending patterns of the financially excluded.
- **Quality & security**: price transparency, market information and safe alternative to cash.
- **Affordability and Convenience**: lower fees to transfer funds, just in time transfers, saved travel and opportunity costs.

**Individuals & SMEs**

- **Payroll**: convenient and secure payroll payment method.
- **Payments**: facilitates payment between SMEs, suppliers and customers.
What objectives is mobile able to serve?

For a bank considering Mobile as an option: Prioritizing these overarching objectives is key to success:

**Defensive**
- Mobile enables new entrants - MNO’s
- PSP’s
- Many banks are looking at mobile

**Expansion**
- Market share (existing markets)
- New target markets
- Geography
- Secondary brands

**Customer service**
- Convenience
- Confidentiality

**Cost containment**
- Opex
- Cost Of Funds
Mobile can help enhance banks’ acquisition and revenue potential across most target segments of the population... but in different ways

**Stylized Customer Segmentation**

- **Consumers**
  - Banks’ existing clients
  - Tomorrow’s new client base
  - Long term market base
  - “Un-bankable”

**Business Clients**

- Banked affluent
- Bankable-middle market
- Un-banked

**Impact on consumer market segments**

- Innovations in retail payments and remote banking can **generate new transaction flow**, **optimise costs** of servicing distribution and enhance customer loyalty.
- Mobile and Agent banking can unlock potential to **acquire and serve new clients** from the growing middle class and informal sector.
- An inclusive market structure and service offering can **enable cost-efficient access for even lower income clients** beyond the reach of mainstream banks.

**Challenge**

The structure of the business case and its development differ depending on the target segment.
Strengthen relationship with SME Segment

**Bank Benefits**
- Increased touch points and increased customer outreach
- High SME volumes of low value transaction removed from the branch network
- Provides new sources of previously inaccessible/cost-effective customers and revenue streams
- Reduces need to expand branch network in underserved areas that often suffer from lack of staff, poor infrastructure and heightened security risks
- Provides a cost-effective way of extending banking hours to 24 hours a day
- Allows potentially for improvements in customer discipline, education and financial literacy

**SME Benefits**
- Provides convenient, secure payments and easy access
- Matches the behavior of many SMEs who want to use their mobile wallet to save and transact
- Reduces need to hold cash in the value chain and increases security
- Provides opportunity to better integrate payments with the SMEs accounting system, and improves tracking and bookkeeping
- Accounts are easy to set up and understand

**Specific Business Offer**
- Basic Payments led Proposition
- Use of e-wallet/branchless banking → reduction of cash use
- Send/receive payments via individual transactions
- Help tracking/bookkeeping notifications + transaction history

**Full Financial Provision**
- PHASE 1
  - Use of e-wallet/branchless banking → reduction of cash use
  - Send/receive payments via individual transactions
  - Help tracking/bookkeeping notifications + transaction history

- PHASE 2
  - Specific Business Offer
    - Bulk payments (salaries, commissions, suppliers, ...)
    - Bill collection
    - Distribution network/supply chain management
    - Cash management

- PHASE 3
  - Full Financial Provision
    - Savings products
    - Loan disbursement and instalments
    - Credit
    - Insurance products
    - Integration to accounting software
    - Leasing, factoring offers

**It’s about market development**: The importance of these segments for banking will vary for each market

**Profitability**

**Time**
**Value proposition to corporate customers**

Mobile can enable specific growth opportunities with corporate and SME clients, generating incentives for banks to get involved and boosting overall penetration and volume.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility bill payment:</td>
<td>• Reduce costs of collection, fine tune tariff &amp; payment terms and enable overall increase in income from non-post paid users</td>
</tr>
<tr>
<td>Wage disbursement:</td>
<td>• Enable employers to cost effectively disburse wages to non-salaried workers</td>
</tr>
<tr>
<td>B2B supply chain payments:</td>
<td>• Reduce cash payments and risk; enhance credit ratings per retailer and enable value-added products to enhance loyalty of retailers</td>
</tr>
<tr>
<td>Internet commerce:</td>
<td>• Leverage the growing internet commerce market being used by unbanked client and those without internet payment methods</td>
</tr>
<tr>
<td>Retailer and Agent banking:</td>
<td>• Combine merchant acceptance offering with better banking services to enhance loyalty and cross-selling</td>
</tr>
</tbody>
</table>

Across all types, banks and MNOs must ensure mobile provides value-added beyond existing payment means (cash, card, EFT).

**Additionality**

Work with our other partners/investments to see where synergies can be built between their business and roll-out of mobile money.
**Illustrative Set-Up Costs to Implement M-Banking**

There is limited data on the implementation costs of M-Banking. IFC is working on more robust costing analysis.

<table>
<thead>
<tr>
<th>Category</th>
<th>Costs</th>
<th>As a % of total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People - Recruitment</strong></td>
<td>- Implementation Team <em>(temporary staff)</em>&lt;br&gt;  - Product/Marketing, Technology, Business Processes</td>
<td>~10%</td>
</tr>
<tr>
<td></td>
<td>- Operations Team <em>(permanent staff)</em>&lt;br&gt;  - Distribution/Merchant Sales manager and team, Call Center, Marketing/Product manager and team, Training Manager</td>
<td></td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>- Development of training material adjusted to local context:&lt;br&gt;  - Training of Agents&lt;br&gt;  - Training of Customers</td>
<td>~7%</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>- Marketing campaigns&lt;br&gt;  - Signage/equipment</td>
<td>~20%</td>
</tr>
<tr>
<td><strong>Product Design &amp; Network Build-Out</strong></td>
<td>- Market research&lt;br&gt;  - Product design&lt;br&gt;  - Customer test&lt;br&gt;  - Agent recruitment</td>
<td>~20%</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>- Technology solution purchase&lt;br&gt;  - or In-house development&lt;br&gt;  - Recurring maintenance fees</td>
<td>~25%&lt;br&gt;Or Revenue Share Model</td>
</tr>
<tr>
<td><strong>Transmission Costs</strong></td>
<td>- Communication channel costs</td>
<td>~18%</td>
</tr>
</tbody>
</table>
Illustrative Revenues and Costs in M-Banking

Mass market customers generate typical banking revenues including:

- Transaction commissions
- Intermediation margins on deposits
- Cross selling of bank products

The chart below gives an example of the revenues and expenses a bank would incur for an M-Banking operation.
Number of clients required to break even

• “Rule of thumb” considerations:
  ▪ Number of active clients required each month for month to month break even, based entirely on transactional revenue - ~120,000
  ▪ % of registered customer base which is active in each month: ~10% to ~30%
  ▪ Required take on customer base to yield month to month break even customer base: 400,000 to 1,200,000
  ▪ Over a 5 year period - about 25% of those to whom the service is advertised will adopt it
  ▪ Required addressable market size: 1,600,000 to 4,800,000

• How does this relate to the Kyrgyz population?
  ▪ Gross population
  ▪ Banked population
### Key Obstacles

<table>
<thead>
<tr>
<th>Network Effects</th>
<th>Sub-optimal regulations can prohibit or constrain business models that are able to improve access and the diversity of financial services and payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination Failures</td>
<td>The benefits of adopting new payment solutions rely on their adoption by multiple inter-related other actors in the economy</td>
</tr>
<tr>
<td>Positive Externalities</td>
<td>The lead investor - e.g. an MNO - may not be able to capture a sufficient share of the benefits generated by a successful new payments network; Benefits may accrue also to their competitors</td>
</tr>
<tr>
<td>Natural barriers to entry</td>
<td>Banks and financial institutions may have much to lose from supporting alternative payment networks with potential to compete with existing networks in which they not only participate but may also be investors / co-shareholders</td>
</tr>
<tr>
<td>Business &amp; Macroeconomic Risk</td>
<td>High uncertainty associated with the potential success of mobile and agent banking, small absolute returns in poor markets and the level of required investment can all diminish the attractiveness of investments in this domain</td>
</tr>
</tbody>
</table>
Market Evolution
We think the payment infrastructure will likely evolve into a “shared resource” over the next 5 years.

We think there will be specialist “Payment Service Providers” (PSPs) that will be the “back office” for multiple FIs (Like First Data, or Geopay).

We think MNOs will initially grow the e-payment infrastructure but will shift back to their core business, and spin-off payment service providers (PSPs) as separate entities over 5 years.

Banks will continue to expand their e-payment capabilities and will dominate in savings and loan products, due to regulatory requirements and know-how.

The payment service providers (PSPs) are likely to evolve as independent operators that serve multiple markets; owning and maintaining the technology and the agent network.

First mover advantage is real & important for MNOs & PSPs, (as long as the product offering is right.)

- The best are likely to get the most market share
- There are unlikely to be more than two or three PSPs per market

**PSPs Must be scalable to be successful and must scale fast to cement competitive position**
The Future of M-Banking

Over time, a sustainable development path for M-Banking will require broader integration with the financial sector.

Closed loop transaction services:
- P2P
- Bill payments
- Cash in/out
- Retail payments

Building bridges with the formal financial sector and its existing users

Mobile becomes an integral part of banking

Integration of new users and services increases take-up, volumes, and revenue potential

Full integration into the financial ecosystem

First stage niche product developments

Variety and Sophistication of Services

Volume of transactions & users
How to progress
Demand driven by appropriateness and availability of services and agent network

Customer adoption evolves from more urban and educated to rural and unbanked

Unbanked customers attracted through product push, ie government payments and salary disbursements

Extensive agent infrastructure required to encourage savings and routine transacting

Business models dependent on transaction volumes and relative size rather than customer numbers

Mobile Money Adoption Curve

- Growth is driven by product innovation
- Once all technology & eco-systems are in place, we see rapid up-take if product is right

High impact high return window 2-4 years

# of Customers

low

high

Market Opportunity / Increased Segmentation

low

high

Undeveloped

Emerging

Developed

Mobile Phone Enabled E-Payment Emergence Can Be Steep & Fast
Partnerships?

Mobile and Agency Banking

Virtual branch strategies
Brands
Value propositions
Competitive positioning
Products

Ability to serve

Agent administration

Fundamo, Comviva, SAP etc.

Back office processes
Call centre

Agent signup
Agent administration
Agent management
Cash management

Geopay
QIWI and others in the Mobile Recharge market***

Most Mobile Money operations need most if not all of the above. The question is Build? Buy? Borrow / Share?
How to enter Mobile Banking

• Strategy formulation
  ▪ Choose an outcome towards which you are striving
  ▪ Decide the target market(s) in which you seek the outcome
  ▪ Decide the value proposition(s) for the target market(s)
  ▪ Decide which partner(s) you would like to work with and why
  ▪ Decide what you will be willing to give up to secure the partnership

• Execution
• Refinement
• Growth
Today’s workshop - If you were to share, what would you share?

Mobile and Agency Banking

Ability to serve

- Virtual branch strategies
- Brands
- Value propositions
- Competitive positioning
- Products

Agent administration

- Systems
- Back office processes
- Call centre
- Agent signup
- Agent administration
- Agent management
- Cash management
Pro’s and Cons of Sharing

Group work
Discussion
Annexures
IFC’s Strategy
IFC’s Strategy

Banking, Microfinance, Insurance, Leasing and Housing

Improved Access to Finance
Building Capacity and Sustainability of Local FIs
Increased Innovation

Payments (PSPs, utilities, telcos, retailers, transport, etc)

Provide full range of fin’l services
Start with basic universal need
## IFC’s Offering of Investment and Advisory Services

IFC will support clients in launching a sustainable M-banking program through a mix of investment and advisory services designed to serve banks, other financial institutions and payment service providers.

### Investment Services

**Banks/FIs (CFG)**
- **Equity** - to fund capital needs of FIs to get m-banking platform off the ground
- **Risk-Sharing Facilities** - to support FIs with sufficient liquidity looking to reduce the risk of launching a new platform
- **Wholesaling** - to enable 2nd/3rd tier FIs to launch and implement M-banking

**Payment Infrastructure (CIT)**
- **Early Stage Equity** - to fund start up Payment Service Providers (PSPs) in smaller markets
- **Growth Equity** - to fund regional players, market consolidators and spin-offs in more developed mkts
- **Mezzanine/High Yield Debt** - to fund network buildout by major players, spinoffs, existing portfolio growth and M&A activity

### Advisory Services

**Access to Finance (A2F)**
- **Business Model & Strategy Development** - Model business in IFC financial model to develop/revise business plan and advise on strategic alignment of core components and project ROI
- **Network Build-out** - Assess money flows and establish agent network including training of agents
- **Product & Process Design** - Conduct market research to identify priority products and customer segments. Design complaint products and process to meet demand
- **Customer Up-take and Financial Awareness** - Develop financial awareness campaign via agents and focusing on customer care as part of correspondent training
- **Impact Assessment** - Define indicators of success for respective market and conduct survey with consumers on product use to amend business strategy and understand impact.

Joint ventures between CFG & CIT as appropriate
## IFC’s Clients

### Investment Portfolio

<table>
<thead>
<tr>
<th>Company</th>
</tr>
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<tbody>
<tr>
<td>Yellowpepper</td>
</tr>
<tr>
<td>Wizzit</td>
</tr>
<tr>
<td>Paynet</td>
</tr>
<tr>
<td>FINO</td>
</tr>
<tr>
<td>DineroMail</td>
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<tr>
<td>Interswitch</td>
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<tr>
<td>Suvidhaa</td>
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</table>

### Advisory Services Portfolio

<table>
<thead>
<tr>
<th>Company</th>
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</thead>
<tbody>
<tr>
<td>MOBI PAY</td>
</tr>
<tr>
<td>Wizzit</td>
</tr>
<tr>
<td>Bank Sinar</td>
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<tr>
<td>SOGE BANK</td>
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<tr>
<td>BSP</td>
</tr>
<tr>
<td>FINO</td>
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<tr>
<td>Wing</td>
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<tr>
<td>Most Money</td>
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<tr>
<td>NDB Bank</td>
</tr>
<tr>
<td>Nirdhan Utthan Bank Limited</td>
</tr>
<tr>
<td>Bank Andara</td>
</tr>
<tr>
<td>MOST PSP</td>
</tr>
</tbody>
</table>
Case Studies
### Case Study: Kenya M-Pesa

#### Overview

- M-Pesa allows consumers in Kenya to send money to one another through text - P2P
- M-Pesa also includes merchants in the process as “agents” allowing consumers to withdraw cash at agent locations; no charge for depositing, but a sliding tariff is levied on e-cash sent and withdrawn.

#### Strength/Opportunity

- Works with low-tech mobile devices. Only SMS functionality required
- Targets areas with poor banking infrastructure where cash is the only payment alternative
- Signed an agreement with Western Union to facilitate cross-border transfer
- Rapidly growing agent network and consumer adoption
- Parent company. Safaricom, controlled -80% of the Kenya mobile phone market

#### Weakness/Threat

- M-Pesa will have difficulty in areas with well-established banking structures without collaborating with existing players in the market

#### Overall assessment

- While M-Pesa is already experiencing resounding success in Africa, the future of M-Pesa is intimately interconnected with its ability to expand to other countries through strategic partnerships (such as Western Union). This expansion will allow for growth in its existing consumer base and allow additional opportunities for new revenue streams.

#### In numbers

- Total number of customers: 14 million

#### Lessons Learned

MNO revenue drivers are:
- Data revenue related to mobile transactions;
- Reduced airtime distribution costs from direct sales to mobile wallet customers;
- Increase in ARPU for mobile wallet customers;
- Churn reduction.
- High market share, significant expenditure for marketing and clear customer value proposition are key success factors
- One dominant player creates a monopoly situation
## Case Study: Columbia AV Villas

### Overview

Banco AV Villas is developing of a meaningful product offering for low income individuals to be distributed through the mobile channel, in order to increase transaction volume through existing agents. The Bank has already implemented a mobile banking platform to provide mobile banking services to its current clients and is piloting the payment of government subsidies to low income beneficiaries. 1savings, 1insurance and 1credit product for internal validation including: (i) product description, (ii) cost/benefit analysis for each product, (iii) detailed customer experience, interaction and journey, (iv) requirements for audit, control and regulatory compliance, (v) interfaces with existing Banco AV Villas systems/processes, and (vi) implementation requirements and plan as well as assessment methodology for credit risk levels of low income individuals have been developed for pilot testing.

### Strength/Opportunity

Facilitating distribution of government subsidies and fostering the use of formal channels becomes a point of entry for the Colombian low income people to the financial system. Banks are able to offer full suite of financial services to all market segments and the relationship can be leverage to cross sell additional financial products.

### Weakness/Threat

The bank is reliant on outside service providers (eg agent network). It is necessary to resource a mobile channel adequately and not expect RoI to soon.

### Overall assessment

A first set of product prototypes has been designed and is currently being finalized. It is critical to ensure products deployed are fully compliant with regulation and integrated into the banks risk management.

### In numbers

The team is in the process of preparing risk management recommendations for the credit product and will provide support in the technical feasibility studies. Pilot to be launched in July.

### Lessons Learned

Particularly credit risk assessment and loan approval over mobile channel cause concerns. Key revenue drivers are derived from core financial services rather than transactions as well as low cost deposits.
## Case Study: WING

<table>
<thead>
<tr>
<th>Overview</th>
<th>Many-to-many model. This model involves a central transaction processing system that provides total interoperability, allowing several banks to offer services to customers of several MNOs.</th>
</tr>
</thead>
</table>
| **Strength/Opportunity**                                                  | • Benefits to banks: (i) the opportunity to purchase access to a switch reducing the required investment in the technology; (ii) limited need to invest in build out of an agent network; (iii) access to a large pool of new customers; (iv) the fee income from providing branchless banking services to them; and (v) cheap source of funds  
• Benefits to MNOs: (i) revenue through increased SMS traffic;  
• In terms of impact this model as it allows for greatest possible inclusion |
| **Weakness/Threat**                                                      | • Depended on cooperation of MNOs to all provide same short codes  
• Revenue for WING comes solely from transactions  
• Regulatory challenges in using same agents for multiple financial institutions |
| **Overall assessment**                                                   | A platform that can interface with any bank and any MNO is best geared towards reaching critical mass, particularly in a small country. It does require banks and MNOs to at least partially cooperate and trust each other, which has proven to be a challenge |
| **In numbers**                                                          | WING is Cambodia’s largest financial institution  
number of provinces covered: all 24 provinces  
- total number of signed up customers: 373,928 (51,182 are considered active, meaning doing at least one transaction in the past 6 months)  
- number of women customers: 34.62%  
- total number of transactions: 5,001,147 (of which 1,175,205 are money transfer related. The rest are primarily phone top-up)  
- total value of transactions: $60,730,528 (of which only $1,175,205 are money transfer related)  
- number of WING cash express agents: 833. |
| **Lessons Learned**                                                     | • Measuring outcomes is key to the development of impactful future initiatives;  
• Measurement enables “stakeholder”, which avoids the risk of mobile being seen as only reducing costs or generating fees (which ultimately stifles usage.)  
• Staff engagement is critical |
Other examples
Overview

- Banco AV Villas is a Colombian bank, part of Grupo Aval, country’s largest financial conglomerate. The bank has a strong commitment to develop a mobile banking business model to serve low income clients. It has already implemented a mobile banking platform to provide mobile banking services to its current clients and is piloting the payment of government subsidies to low income beneficiaries.

IFC Advisory

- IFC supports the development of 1 savings, 1 insurance and 1 credit product including: (i) product description, (ii) cost/benefit analysis for each product, (iii) detailed customer experience, interaction and journey, (iv) requirements for audit, control and regulatory compliance, (v) interfaces with existing Banco AV Villas systems/processes, and (vi) implementation requirements and plan as well as assessment methodology for credit risk levels for low income individuals to be distributed through the mobile channel, to increase transaction volume through existing agents. The project is focused client acquisition and increasing transaction volume.

Expected outcomes

- Facilitate distribution of government subsidies and foster the use of formal channels to become a point of entry for the Colombian poor to the financial system.
- Supply financial products that meet the needs of the poor and that solve the difficulties that they face in their daily activities.

Performance

- A first set of product prototypes designed.
- The team is in the process of preparing risk management recommendations for the credit product and will provide support in the technical feasibility studies.
Bank South Pacific (BSP) is the largest retail bank in the Papua New Guinea, and across the Pacific. BSP established a new internal division, BSP Rural, in May 2010. The mandate of this part is to extend the reach of banking services into rural and remote regions of the country.

IFC Advisory

IFC undertook market research studies and business analysis with BSP in November 2010. Formal activities were initiated in February 2011, which include agent research, business planning, the launch of commodity pilot and the start of the branch and agency expansion activities.

Expected outcomes

- Rural mass-market customers will benefit from BSP Rural services by receiving a full bank account with debit card access, mobile access, and pay as you go.
- Customers will have access to BSP’s full branch, ATM, and POS networks.
- Mobile banking will provide money transfer, payments, and airtime top-up. Account openings will be carried out at a range of bank branches, agencies, and through partnerships.

Performance

- The branch and agency expansion activities started in December 2011. The first set of performance target numbers are expected to be received in May 2012.
FINO provides a personalized smart card to individuals at the base of the pyramid through which they can access financial services provided by financial institutions or receive payments from the government. The card is a unique ID and holds personal information such as fingerprint information, providing integrity and ease in initiating or completing financial transactions. FINO also developed a network of merchants, where FINO client can make purchases with their FINO cards.

Overview

IFC invested a total of US$7.3 million to help FINO extend its services to customers in rural and semi-rural areas.

Advisory services

The first phase of the project consisted of developing a banking correspondent model that used a biometric smart card based solution to enable government payments and delivery of financial services. This phase showed that service providers using technology platforms have to offer multiple products to become profitable as it would increase the volume of business.

The second phase of advisory work with FINO is in implementation phase since June 2011 with a total budget of $ 1.8 million. This phase focuses on linking other financial products such as deposits, insurance and remittances to the existing payment platform, capacity building of their Banking Correspondent network and financial awareness campaign for FINO clients.

Expected outcomes

FINO smart cards will enable people to conduct financial transactions such as payments for health insurance, remittances, social and pension plans, etc. even if they do not have formal identification documents.

The cards will also allow people to receive and repay loans, maintain savings, and access insurance and other financial services.

Performance

FINO currently has 41 million customers and has a network of 22,000 merchants.

IFC’s investment is valued at 16.7 million.
Mobifinance is a wholly owned subsidiary of the Mobicom Group, which also owns Mobicom, the largest mobile operator in Mongolia, and NewTel, the company that develops and manages Mobicom’s agent network. The Mobicom Group also owns MOST PSP, a payment service provider that offers banking and mobile technology platforms to banks in the country.

Overview

The project with Mobifinance started in May 2011. The goal is to help the company assess the current environment, customer preferences, and business opportunities. The work was undertaken through a shared cost model with both IFC and Mobifinance and outcomes are intended to guide Mobifinance’s business model and product offerings.

Expected outcomes

The project has already completed the customer and agent market research along with the business analysis and financial modeling activities.

Performance

Currently, the team is working on product analysis (international remittances and NFC).

The results of business analysis led to the addition of a technology assessment component into the project. The specificities of this component is currently under review.