

# IFC Mobile Money Scoping Country Report: Nicaragua

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Schweizerische Eidgenossenschaft  
Confédération suisse  
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Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

# Nicaragua Summary

Overall Mobile Money Readiness	3 (Moderate)
Current Mobile Money Solution	mPeso
Population	5.9 million (Low)
Mobile Penetration	71% (High)
Banked Population	5% (Very Low)
Remittance % of GDP	10.3% (High)
Percent under poverty line	54% (High)
Economically Active population	40.4% (Moderate)
Adult Literacy	69% (Moderate)
Main banks	Banco de la Producción, Banco Lafise, Banco de América Central
Mobile Network Operators	Claro (60% market share), Movistar (40%)
Ease of doing business	118 <sup>th</sup> out of 183

Mobile Money readiness	
Regulation	3
Financial Sector	2
Telecom Sector	4
Distribution Channel	3
Market Demand	4

## Opportunities

Nicaragua is one of the fastest growing economy in Central America but suffers from a weak banking and financial sector that was partially affected by the economic crisis. Financial inclusion numbers remain very low compared to regional standards. The mobile telecom market is shared between two large regional mobile network operators: Claro and Movistar. So far, only one mobile money solution, MNO agnostic, has been launched.

- Macro-economic Overview
- Regulations
- Financial Sector
- Telecom Sector
- Distribution Channel
- Mobile Financial Services Landscape

# Macro-Economic Overview

## Key Country Statistics

- Population 5,891,199 (density 114ppl/sqm)
- A very young population:
  - Median age 22.9 year-old
  - 31.7% are under 14 year-old
- \$18.77Bn GDP in 2011 (PPP)
- \$3,200 GDP per capita (PPP)
- Population below the poverty line: 46.2% (2005)
- Rural population: 43% (urbanization rate of 2%)
- Literacy rate 67.5%
- Banking penetration 5%
- 4.2Mio mobile phones in 2010
- Annual remittance: 10.32% of 2011 annual GDP

## Insights

- One of the largest market opportunity in Central America with over 4m people that could be potential targets of mobile money services.
- Extremely low banking penetration and low usage of banking services combined to a relatively high mobile penetration, makes mobile a relevant channel to explore
- Significant part of the GDP comes from international money transfer, which makes mobile remittance a service to be considered
- G2P Payment is an other relevant market to explore taking into consideration the dynamism of government social assistance program in Nicaragua

Sources: IOM world, Wikipedia , 2010 CIA WORLD FACTBOOK, GSMA

# Mobile & Banking Penetrations

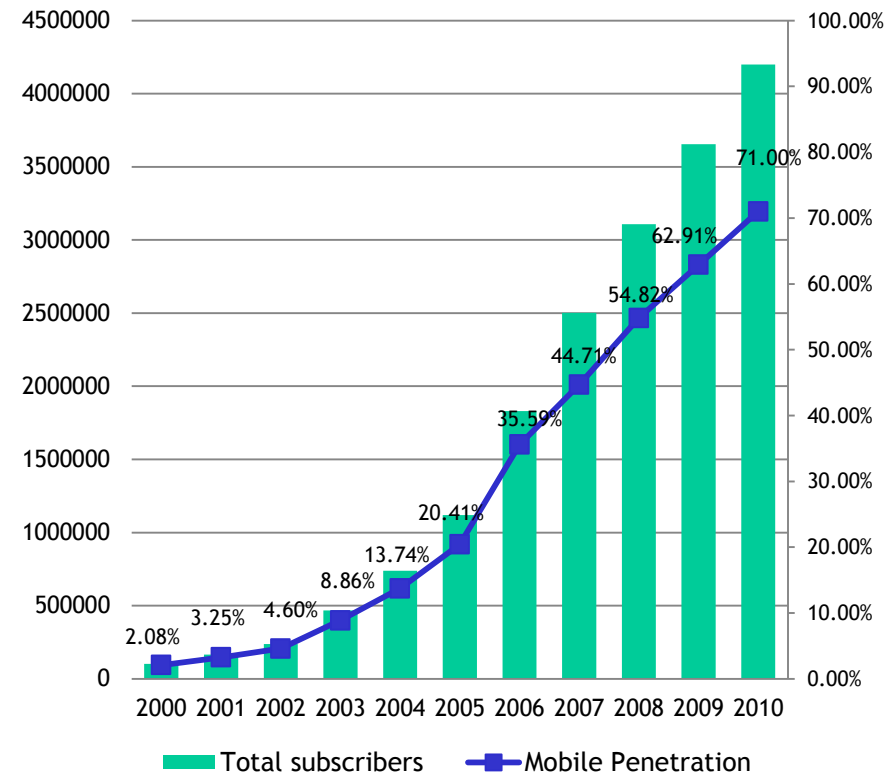
Several factors limit banking growth

1. Banking infrastructure availability is low in Nicaragua:
  - 39 ATMs / 1000 adults (2006)
  - 1.58 ATMs / 1000 km<sup>2</sup> (2006)
2. Rural areas lack extensive access to financial services

**Banking sector in Nicaragua remains small despite significant growth in the past decade. Banking penetration level is extremely low at 5% compared to 71% mobile penetration as of 2010.**

Whereas mobile penetration has increased steadily

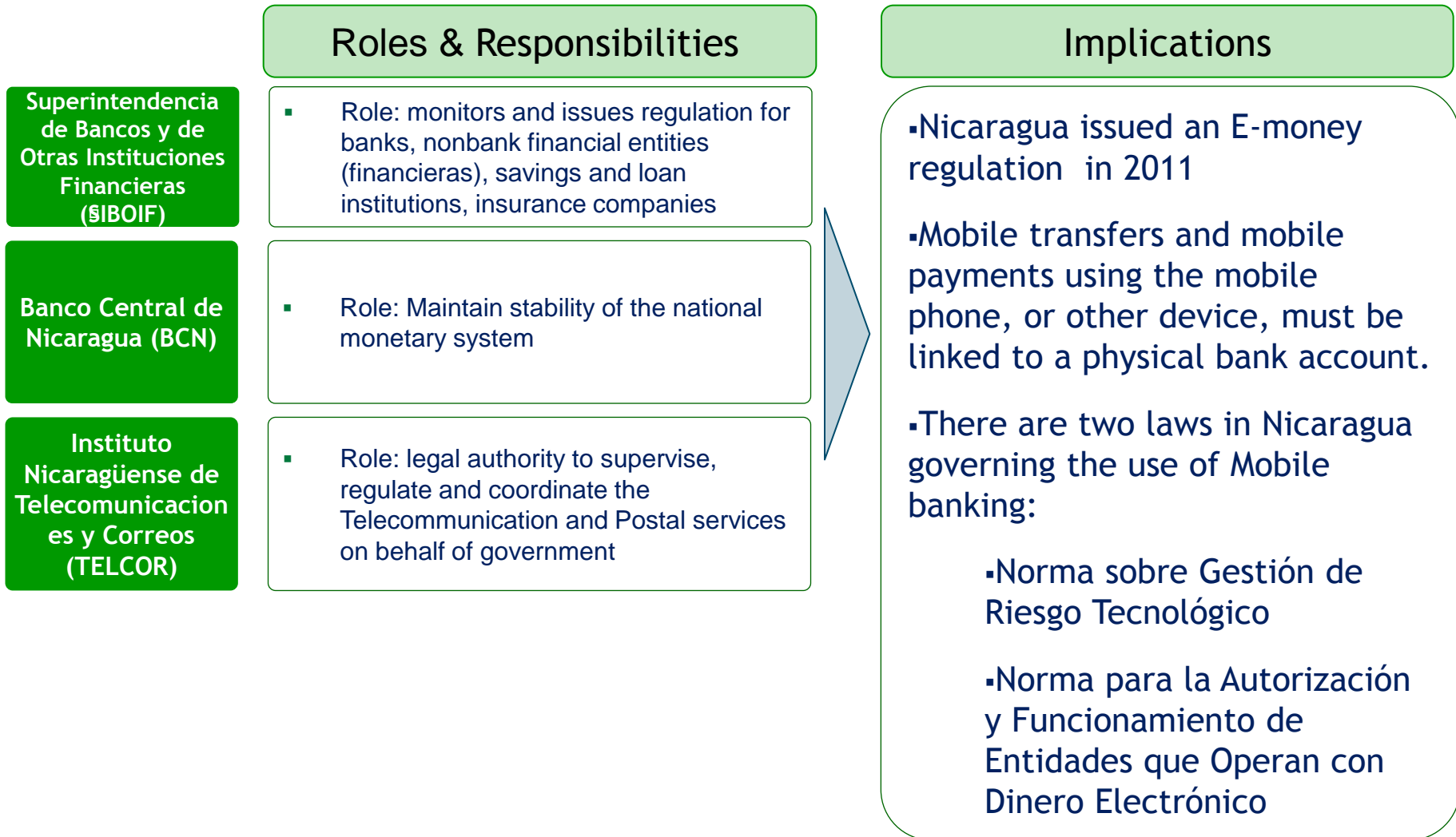
Mobile penetration rate evolution in Nicaragua



Sources: IOM world, Wikipedia , 2010 CIA WORLD FACTBOOK, GSMA

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# Regulatory Bodies



Source: SiBOIF, BCN, TELCOR

# Regulatory Framework & Requirements

## KYC/AML Requirements

### Current Regulations

In recent years, Nicaragua has taken several steps aiming at improving its AML/CFT regulation:

- establishing effective CDD measures and record-keeping requirements, in particular entities not currently regulated by the supervisory authority (Recommendation 5 and Recommendation 10)
- establishing adequate STR reporting obligations for money laundering and financial terrorism (Recommendation 13 and Special Recommendation IV)
- implementing an adequate AML/CFT supervisory program for all financial sectors (Recommendation 23)
- ensuring a fully operational and effectively functioning Financial Intelligence Unit (Recommendation 26)
- establishing adequate procedures for identifying and freezing terrorist assets (Special Recommendation III)
- Revised regulation on Microfinance to strengthen the microfinance sector

### Implications

- Nicaragua needs to increase efforts in adopting measures to create a standard environment for management of money laundering and terrorism Risks
- Create a Financial Intelligence Unit to monitor suspicious transactions
- Account opening: Customer identification /verification
- Revise accounts limits for agents
- System audit and daily reconciliations



# Additional Regulatory Considerations

## E-Money

### Current Regulations

- SIBOIF has issued a e-money regulation (Resolution CD-SIBOIF-671-1-03/2011) that defines non banking financial institutions as purveyors of financial services (payments disbursement / collection) using mobile phones and guarantee the e-money creation

### Implications

- EDEs (Entidades de Dinero Electrónico) must submit an application to the SIBOIF to be authorized to offer e-money services.
- Entities already supervised by the SIBOIF are subject to less restrictive application measures

## Agents

- EDEs are supervised and regulated by the SIBOIF
- EDEs can facilitate payment services using the mobile device within a CTM (Circuito de Transacciones Móviles)  
\* CTM is the combination of instruments, mechanisms, processes and norms for the real time storage and transfer of e-money
- EDEs must comply with several prerequisite to be able to operate as mobile money operators

- Agents and CTMs (Circuito de Transacciones Móviles) are managed by the ETEs

# Additional Regulatory Considerations

**Customer Protection**

**Payment Services**

## Current Regulations

- EDE must provide users with clear, intelligible, true and complete information on the products and services they offer, cost table, how to get access to the services, potential risks associated, authorized agents and transaction centers.

- EDEs are authorized to provide the following services: e-wallet activation, cash-in/cash-out, balance enquiry, transaction history, P2P transfers, B2C, C2B



## Implications

- No need to formally work with a bank to provide some payment services

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# Financial Infrastructure

<b>Banks</b>	
Commercial domestic Banks	4
Commercial foreign Banks	4
<b>Branches</b>	
ATMs	328
Branches	214
POS	
<b>Microfinance Institutions</b>	
> 50,000 customers	1
20,000 to 50,000 customers	5
< 20,000 customers	27+

## Facts:

- Banking sector in Nicaragua is small and highly concentrated with only seven banks currently under operations (+1 additional in liquidation), and the three leading banks concentrating 78% of assets in 2010

<b>Clearing and Settling</b>
<ul style="list-style-type: none"> <li>• Ownership: Banco Central de Nicaragua (BCN) is responsible for clearing of córdoba-denominated cheques</li> <li>• Participants: Financial Institutions registered at the BRH</li> <li>• Real time settlement (HTG or USD)</li> <li>• 24 hours in the capital city area</li> <li>• Leading local banks take up to 15 days to clear US-dollar-denominated cheques and 20 days for cheques from European or Canadian banks.</li> </ul>

Source: BRH, HiFive, Amarante Analysis

# Bank Snapshot

Banco de la Producción	• 32.8% mkt share	<ul style="list-style-type: none"> <li>• 53 branches</li> <li>• 96 ATMs</li> </ul>
Banco Lafise Bancentro	• 26.5% mkt share	<ul style="list-style-type: none"> <li>• 67 branches</li> <li>• 85 ATMs</li> </ul>
Banco de América Central	• 19.4% mkt share	<ul style="list-style-type: none"> <li>• 29 branches</li> <li>• 108 ATMs</li> </ul>
Banco de Finanzas	• 9.2% mkt share	<ul style="list-style-type: none"> <li>• 28 branches</li> <li>• 39 ATMs</li> </ul>
Banco Citibank de Nicaragua	• 5.2% mkt share	<ul style="list-style-type: none"> <li>• 12 branches</li> <li>• 5 ventanillas</li> </ul>
Banco Procredit	• 3.1% mkt share	<ul style="list-style-type: none"> <li>• 25 branches</li> </ul>
Banco Fomento de la Producción	• 2.3% mkt share	

Source: SIBOIF, EIU

# MFI Snapshot

BANEX	• Active borrowers: 23,931	• Loan Portfolio: \$ 115,443,294
ProCredit - NIC	• Active borrowers: <i>N/A</i>	• Loan Portfolio: \$ 81,936,243
FDL	• Active borrowers: 67,095	• Loan Portfolio: \$ 62,036,980
Financiera Fama	• Active borrowers: <i>N/A</i>	• Loan Portfolio: \$ 22,423,265
PRODESA	• Active borrowers: 17,324	• Loan Portfolio: \$ 15,092,525
ACODEP	• Active borrowers: 22,130	• Loan Portfolio: \$ 12,676,681
PRESTANIC	• Active borrowers: 10,349	• Loan Portfolio: \$ 11,933,867

Source: Mixmarket, 2012

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# Mobile Network Operators



- 99.3% América Móvil

- 2.32M subs (Dec 2010)
- 60% Market share

- No known MFS project underway



- 100% Telefonica

- 1.68M subs (Dec 2010)
- 40% Market share

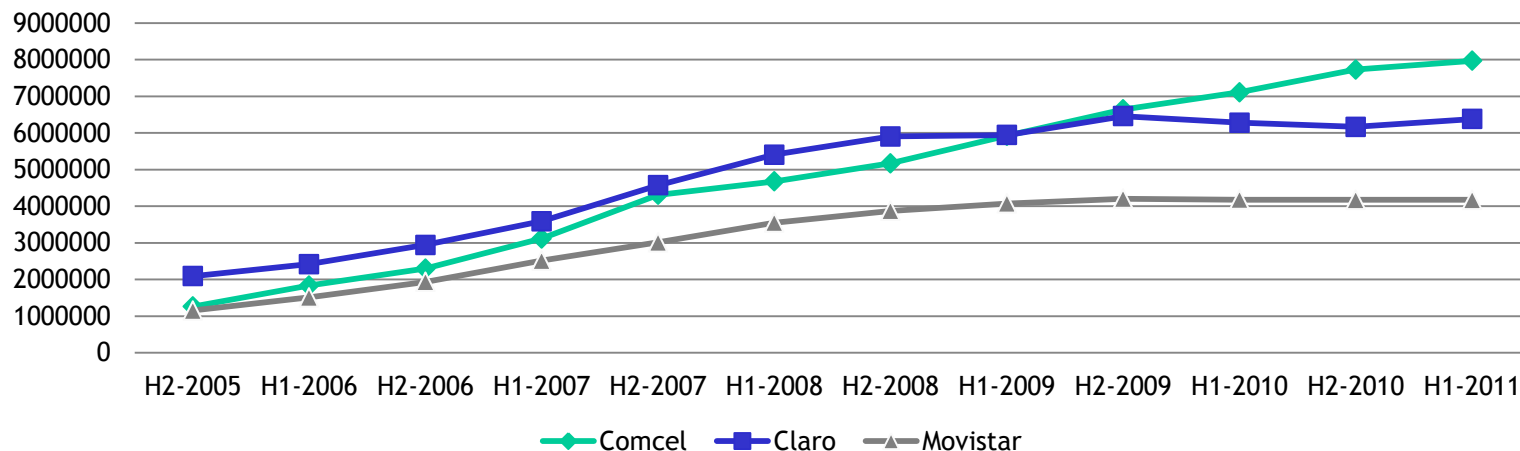
- No known MFS project underway

Sources: Wikipedia, interviews with partners, Amarante Analysis



# Mobile Outlook - a Dynamic Market

## Mobile Subscribers



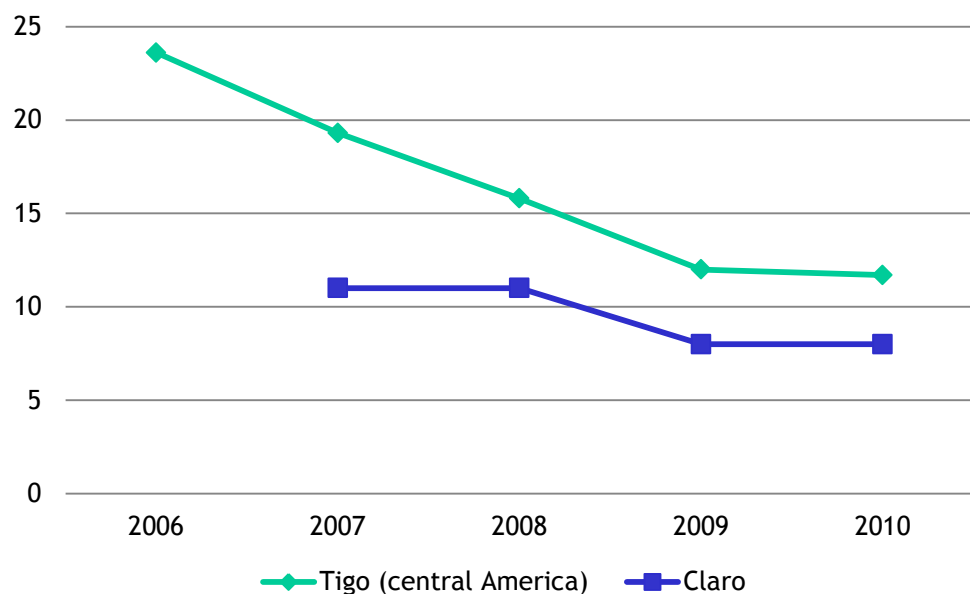
### Key Learning:

- Highly dynamic market, subscribers base exceeds the 18M mark; market penetration is largely above 100%
- Mobile market is fragmented, divided between 3 mobile operators:
  - Tigo (Comcel) is the market leader operator in the market with more than 40% of total subscribers followed by Claro with 34% and Movistar with 23%
- Mobile subscribers growth is expected to remain flat in the years to come

Sources: Telcor

# Mobile Outlook - ARPU Trend

## ARPU/Operator (\$US equivalent)



Sources: MNOs websites

## Key learnings and conclusions

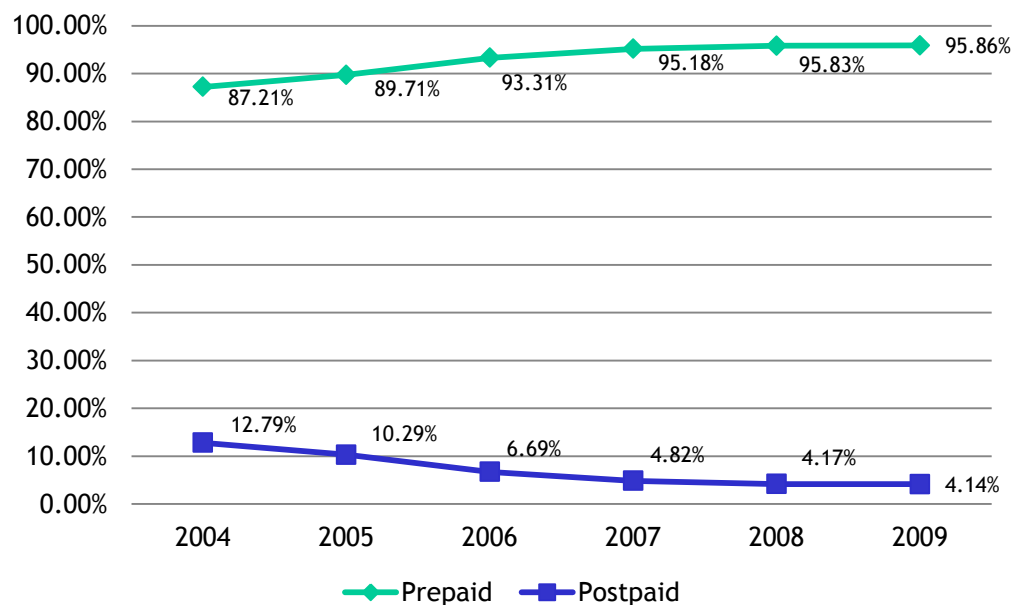
- **ARPU has been declining over the years**
  - Need additional value stream to boost it
  - Offering services to differentiate its offering
- **Key figures:**
  - Saturated mobile penetration rate in Guatemala, population already covered by mobile services



**Need for value creation and new revenue streams beyond traditional voice**

# Mobile Outlook - a Prepaid Market

## Prepaid/postpaid customers (as a %)



Sources: Telcor

## Key learnings and conclusions

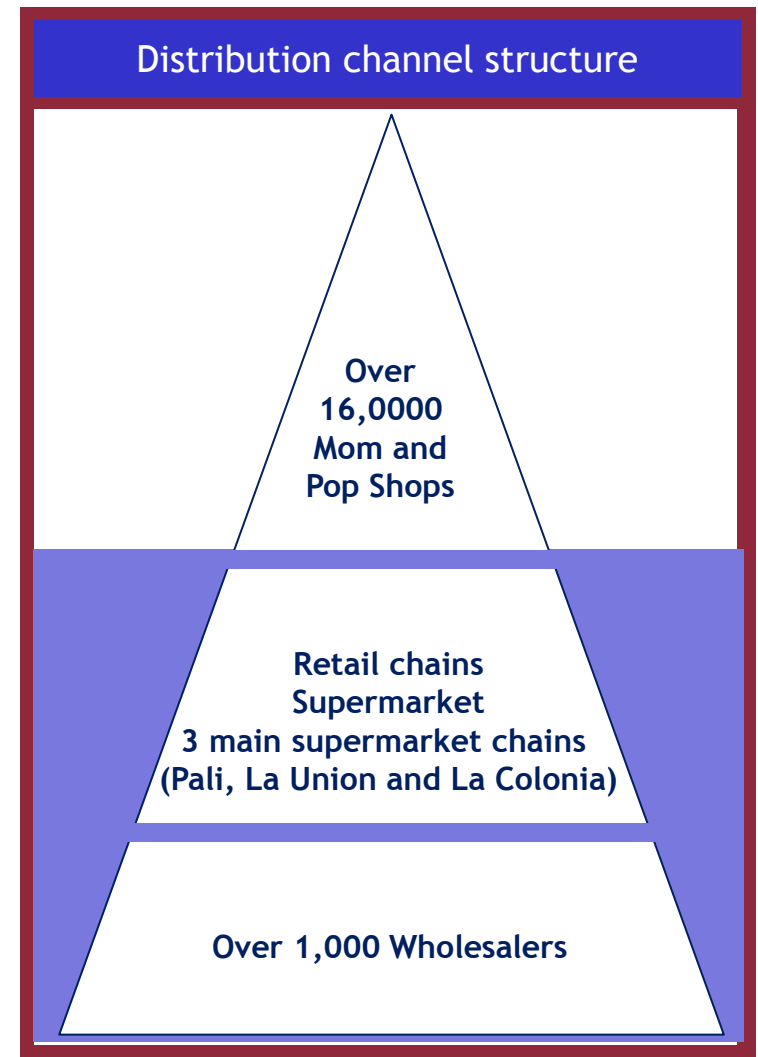
- **Key figures:**
  - As of end June 2011, Prepaid customers account for 95% of total customer base
  - Claro's postpaid customers (as a %) has been relatively stable whereas Movistar postpaid customers has been declining
- **Consequence:**
  - Market likely to be more volatile as competition increases
  - Two MNOs (market leaders) have already introduced MFS

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# Distribution Landscape

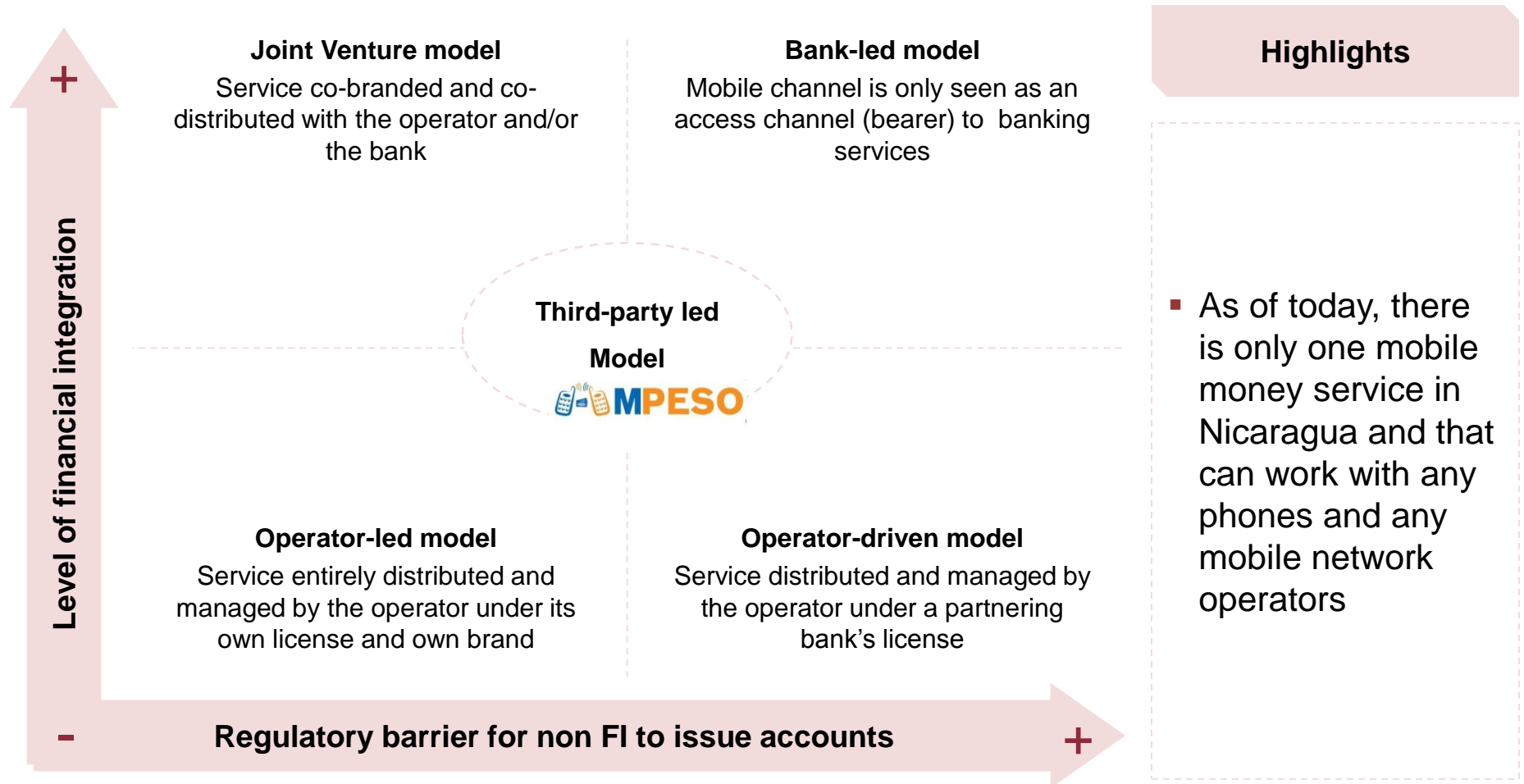
- The retail market is relatively small, mainly concentrated in the urban areas (Managua, Granada, Chinandega...)
- Most of the distribution is made through self-service stores (supermarkets, convenience stores) and retail channels (mom and pop stores, informal channels)

Source: US Embassy



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# Current MFS Initiatives in Nicaragua



# MFS Implementations



US\$ 1 = C\$ 23.35

- Service launched in Nicaragua in Jan 2011
- Services: Domestic transfers, International transfers, Bill payments, Donations, Salary/pension disbursements, Loan Distribution/payments
- Technology: NSDT (near sound data transfer) using tagpay platform (Tag Attitude)
- Partners: works with Claro and Movistar
- Distribution network: 97 agents (pulperias, pharmacies,...)
- Mpeso tariffs:
  - Registration: free
  - Remittances and Cash-out: C\$5 for transactions between C\$1 and C\$150, C\$20 for transactions between C\$151 and C\$1000, C\$30 for transactions between C\$1001 and C\$2500