

# IFC Mobile Money Scoping Country Report: Guatemala

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Schweizerische Eidgenossenschaft  
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Federal Department of Economic Affairs,  
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# Guatemala Summary

Overall Mobile Money Readiness	4 (High)
Current Mobile Money Solution	Tigo Money and Bancamigo
Population	13.8 million (Low)
Mobile Penetration	140% (Very High)
Banked Population	32% (Low)
Remittance % of GDP	5.9% (Moderate)
Percent under poverty line	54% (High)
Economically Active population	40.4% (Moderate)
Adult Literacy	69% (Moderate)
Main banks	Banrural, G&T Continental, Banco Industrial, BAM
Mobile Network Operators	Tigo (43% market share), Claro (34%), Movistar (23%)
Ease of doing business	97 <sup>th</sup> out of 183

Mobile Money readiness	
Regulation	4
Financial Sector	3
Telecom Sector	4
Distribution Channel	3
Market Demand	5

## Opportunities

Guatemala is the most populated country in Central America and present strong social disparities between the inner country and the urban areas. As of today, about one third of the population lives in extreme poverty, with less than US\$ 2 / day. In addition, despite deep efforts from financial institutions, banking penetration remains low. Mobile money solutions could help strengthen the financial inclusion in a country where the vast majority of people owns a mobile phone. Tigo and Claro (with Banrural), who together owns about 75% of the mobile market, have been the first to launch mobile money solutions in Guatemala.

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

# Macro-Economic Overview

## Key Country Statistics

- Population 13,824,463 (density 129ppl/sqm)
- A very young population:
  - Median age 20 year-old
  - 38.1% are under 14 year-old
- \$74.64Bn GDP in 2011 (PPP)
- \$5,000 GDP per capita (PPP)
- Population below the poverty line: 54% (2008)
- Rural population: 51% (urbanization rate of 3.4%)
- Literacy rate 69.1%
- Banking penetration 32%
- 18.528Mio mobile phones in 2011
- Annual remittance: 5.9% of 2011 annual GDP

## Insights

- Guatemala presents the largest market potential in Central America with over 8m potential target customers
- Telecom infrastructure is very developed in Guatemala and almost all the population has access to a mobile phone. On the contrary, banking penetration is very low.
- With the rapid expansion of the banking agent model in Guatemala, encouraged by the regulator, there is room for mobile money to grow rapidly
- Strong disparities between the inner country and the urban areas conjugated to a strong urbanization rate make P2P transfers a strong market opportunity

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

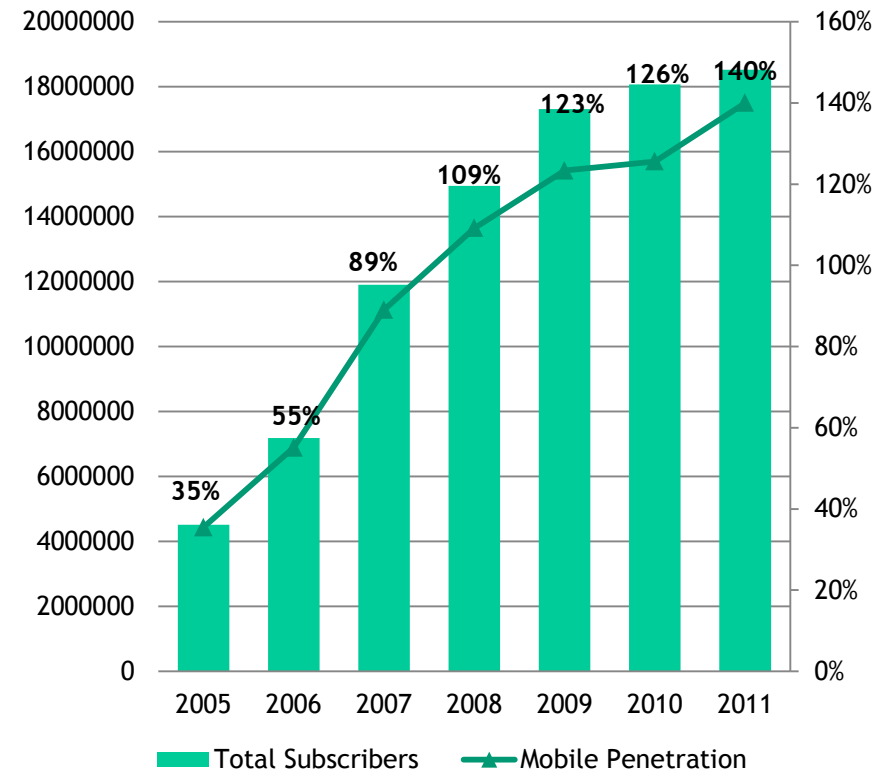
# Mobile & Banking Penetrations

Several factors limit banking growth

1. Banking infrastructure availability is low in Guatemala:
  - 21.85 ATMs / 1000 adults
  - 15.92 ATMs / 1000 km<sup>2</sup>
  - 414.69 POS / 1000 adults
  - 302.09 POS / 1000 km<sup>2</sup>
2. Some banks have promoted access to financial services for unbanked people (e.g. Banrural)
3. Rural areas lack extensive access to financial services

Whereas mobile penetration has increased steadily

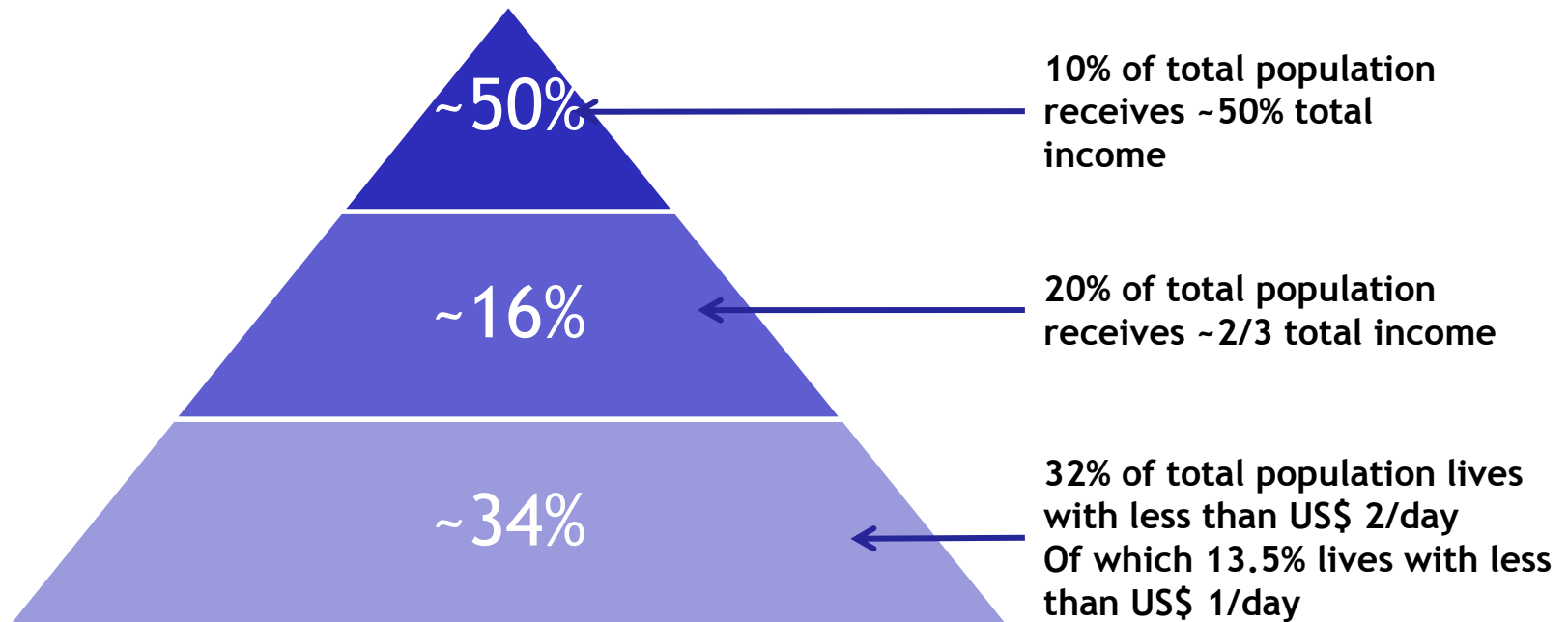
Mobile penetration rate evolution in Guatemala



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

# Strong Population Inequalities

According to the World Bank, income distribution in Guatemala is one of the most unequal in the world



Sources: World Bank

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# Regulatory Bodies

## Roles & Responsibilities

**Banco de Guatemala (Banguat)**

- Role: Responsible for maintaining price stability, lender of last resort and ability to monitor systemic risk

**Superintendencia de Bancos de Guatemala (SIB)**

- Role: day-to-day supervision of commercial banks and financial institutions (finance companies...)

**Unidad de Información Financiera (UIF)**

- Role: Supervise and monitor AML/KYC policies and procedures and filing suspicious transaction reports (STRs)

**Superintendencia de Telecomunicaciones (SIT)**

- Role: legal authority to supervise, regulate and coordinate the Telecommunication sector on behalf of the Ministry of Communication, Infrastructure and Housing

## Implications

- Weak regulatory environment:
  - Several reforms has been presented in the past years to the Congress aiming at strengthening banking regulation and increase control
- In 2011, SIB, along with the Guatemala Banking Association (ABG) started drafting a mobile money regulation for Guatemala
  1. Banks or organisms registered as Financial Institutions using MNOs to offer the services on their platform
  2. Banks and MNOs working as partners to provide the service

Source: CGAP, EIU, Amarante Analysis



# Regulatory Framework & Requirements

## KYC/AML Requirements

### Current Regulations

- Guatemala has institutionalized and strengthened its AML/CFT system in recent years:
  - AML is dealt with in the Guatemalan Penal Code according to the parameters and rules of the Palermo Convention against Transnational Organized Crime and the Vienna Convention. AML Act No. 67-2001, Congressional Decree No 21-2006...
  - CFT is criminalized in Guatemala on the basis of the International Convention for the Suppression of the Financing of Terrorism (adopted by Decree No 58-2005 and regulated by Government decision No 86-2006
- Financial institutions must apply Customer Due Diligence (CDD) measures and collect adequate and meaningful information:
  - Submit a report (IVE form) for transfers in excess of US\$ 2000
  - Customer identification through the neighborhood identification card (Cédula de Vecindad)

### Implications

- Identification risk: Neighborhood ID card is easily falsified and as they are issued by municipalities, people can have more than one
- To promote Financial Inclusion (target population being the unbanked) and use of technology SIB to initiate:
  - Account opening and transactions for low value accounts
  - Simplified IVE form

# Additional Regulatory Considerations

## Current Regulations

## Implications

### Agents

- Banking correspondent regulation JM-65-2010 allows banks to use retailers to expand their services
- Banks must conduct an evaluation of the would-be agents: agent's activity, characteristic of the distribution channel, reputation risk, money laundering, CFT and the measures taken to mitigate those risks
- The following services are authorized: P2P transfer, cash out from deposit and savings account, additional operations y services in accordance with SIB
- Banks take full responsibility of operations realized through the agents

### E-money

- A regulation dealing with mobile money is being discussed by the SIB

### Customer Protection

- Agents have no access to information related to the account statement of depositors

- This regulation will help foster the development of correspondent agent networks

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# Financial Infrastructure

<b>Banks</b>	
Commercial domestic Banks	17
Commercial foreign Banks	1
<b>Branches</b>	
ATMs	1 734
Branches	3 110
POS	32 895
<b>Microfinance Institutions</b>	
> 100,000 customers	1
20,000 to 100,000 customers	3
< 20,000 customers	19+

<b>Clearing and Settling</b>
<p><b>Banking Clearing House</b> (Cámara de Compensación Bancaria)</p> <ul style="list-style-type: none"> <li>•Established in 2002</li> <li>•Administrated by the Guatemalan Bankers Association (Asociación Bancaria de Guatemala.ABG) under the supervision of the Banguat</li> <li>•Daily clearing of all cheques in the banking system via banks' reserve accounts at the central bank</li> <li>•The Real-time Gross Payment System (Sistema de Liquidacion Bruta en Tiempo Real.LBTR) is a system of gross real-time liquidation</li> </ul>

## Facts:

- In line with the trend in Central America, banking sector in Guatemala is highly concentrated with the 3 largest banks holding 67% of assets as of 2011
- Commercial banks are the most popular sources of short-term credit
- MSMEs can have difficulty accessing financing, as commercial lending tends to be concentrated among a relatively small group of large borrowers
- There is no postal bank in Guatemala

Source: BRH, HiFive, EIU

# Bank Snapshot

Banco de Desarrollo Rural, S.A.	• 1,058 branches	<ul style="list-style-type: none"> <li>• 1,709,558 deposit accounts</li> <li>• 4,084,997 savings accounts</li> </ul>
Banco G&T Continental, S.A.	• 577 branches	<ul style="list-style-type: none"> <li>• 742,729 deposit accounts</li> <li>• 1,380,605 savings accounts</li> </ul>
Banco Industrial, S.A.	• 396 branches	<ul style="list-style-type: none"> <li>• 944,087 deposit accounts</li> <li>• 1,022,846 savings accounts</li> </ul>
Banco Agromercantil de Guatemala, S.A.	• 243 branches	<ul style="list-style-type: none"> <li>• 134,242 deposit accounts</li> <li>• 1,020,162 savings accounts</li> </ul>
Banco Azteca de Guatemala, S.A.	• 168 branches	<ul style="list-style-type: none"> <li>• 200,621 deposit accounts</li> </ul>
Banco Reformador, S.A.	• 108 branches	<ul style="list-style-type: none"> <li>• 116,673 deposit accounts</li> <li>• 236,757 savings accounts</li> </ul>
Banco de los Trabajadores, S.A.	• 106 branches	<ul style="list-style-type: none"> <li>• 24,311 deposit accounts</li> <li>• 263,356 savings accounts</li> </ul>

Source: SIB, March 2012

# MFI Snapshot

Génesis Empresarial	• Active borrowers: 157,465	• Loan Portfolio: \$ 84,288,141
BanCafé MIPYME	• Active borrowers: 20,746	• Loan Portfolio: \$ 48,760,723
Asociación Raíz	• Active borrowers: 18,624	• Loan Portfolio: \$ 25,657,803
FUNDEA	• Active borrowers: 17,977	• Loan Portfolio: \$ 18,545,692
FINCA - GTM	• Active borrowers: 28,320	• Loan Portfolio: \$ 11,299,848
CRYSOL	• Active borrowers: 13,015	• Loan Portfolio: \$ 8,385,747
FAFIDESS	• Active borrowers: 14,491	• Loan Portfolio: \$ 6,569,371

Source: Mixmarket, 2012

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# Mobile Network Operators

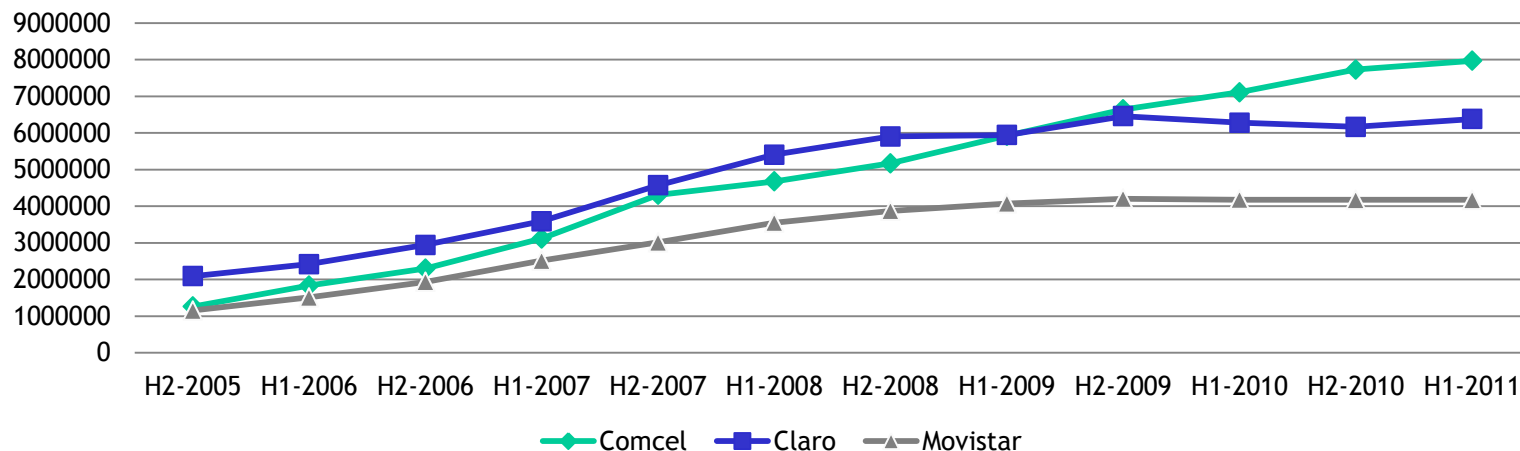
	<ul style="list-style-type: none"><li>• 55% MIC (Millicom International Cellular)</li></ul>	<ul style="list-style-type: none"><li>• 7.97M subs (Aug 2011)</li><li>• 43% Market share</li></ul>	<ul style="list-style-type: none"><li>• Tigo Money launched in 2011 in Guatemala</li></ul>
	<ul style="list-style-type: none"><li>• 100% América Móvil</li></ul>	<ul style="list-style-type: none"><li>• 6.30M subs (Aug 2011)</li><li>• 34% Market share</li></ul>	<ul style="list-style-type: none"><li>• Bancamigo launched in 2011 in Guatemala</li></ul>
	<ul style="list-style-type: none"><li>• 100% Telefonica</li></ul>	<ul style="list-style-type: none"><li>• 4.28 M subs (Aug 2011)</li><li>• 23% Market share</li></ul>	<ul style="list-style-type: none"><li>• No known MFS project under way</li></ul>

Sources: Wikipedia, interviews with partners, Amarante Analysis



# Mobile Outlook - a Dynamic Market

## Mobile Subscribers



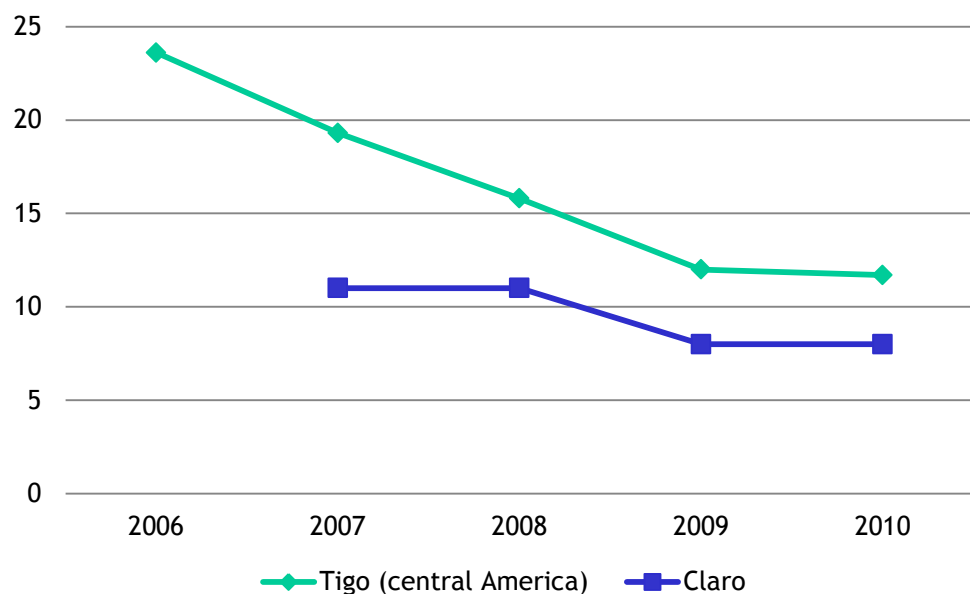
### Key Learning:

- 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 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: SIT

# Mobile Outlook - ARPU Trend

## ARPU/Operator (\$US equivalent)



Sources: MNOs websites

## Key learnings and conclusions

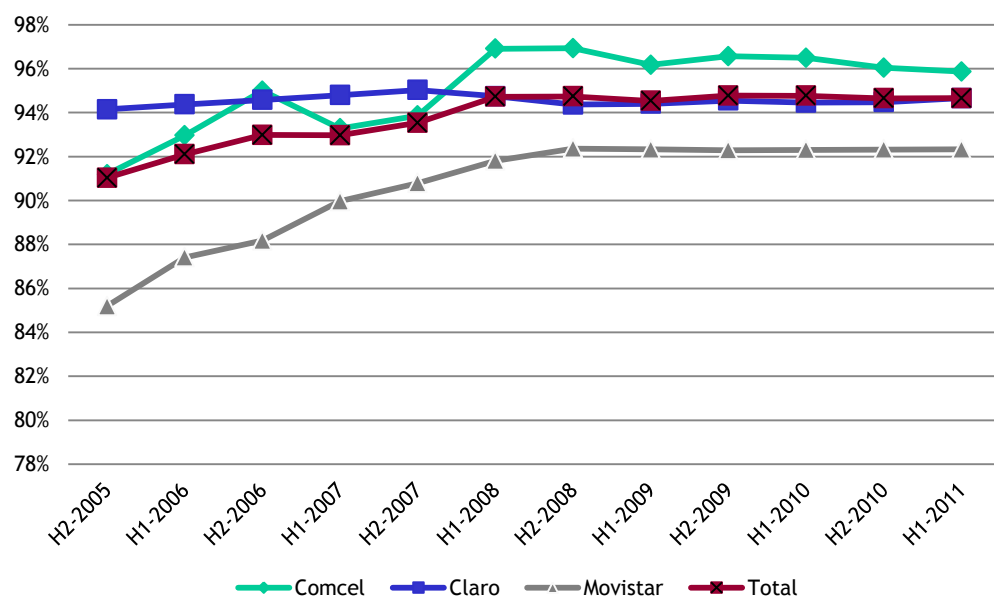
- **ARPU has been declining over the years**
  - Need additional value stream to boost it
  - Offering services to differentiate its offering
- **Key figures:**
  - Saturated mobile penetration rate in Guatemala, population already covered by mobile services



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

# Mobile Outlook - a Prepaid Market

## Prepaid customers (as a %)



Sources: SIT

## Key learnings and conclusions

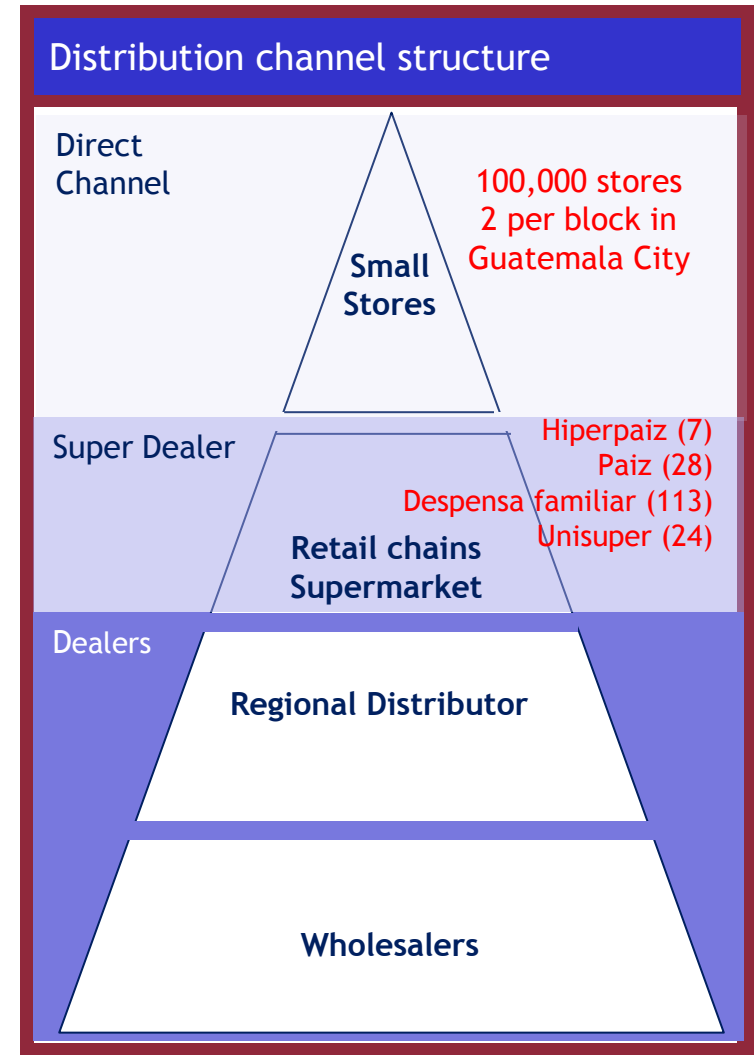
- **Key figures:**
  - As of end June 2011, Prepaid customers account for 95% of total customer base
  - Claro's postpaid customers (as a %) has been relatively stable whereas Movistar postpaid customers has been declining
- **Consequence:**
  - Market likely to be more volatile as competition increases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

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# Distribution Landscape

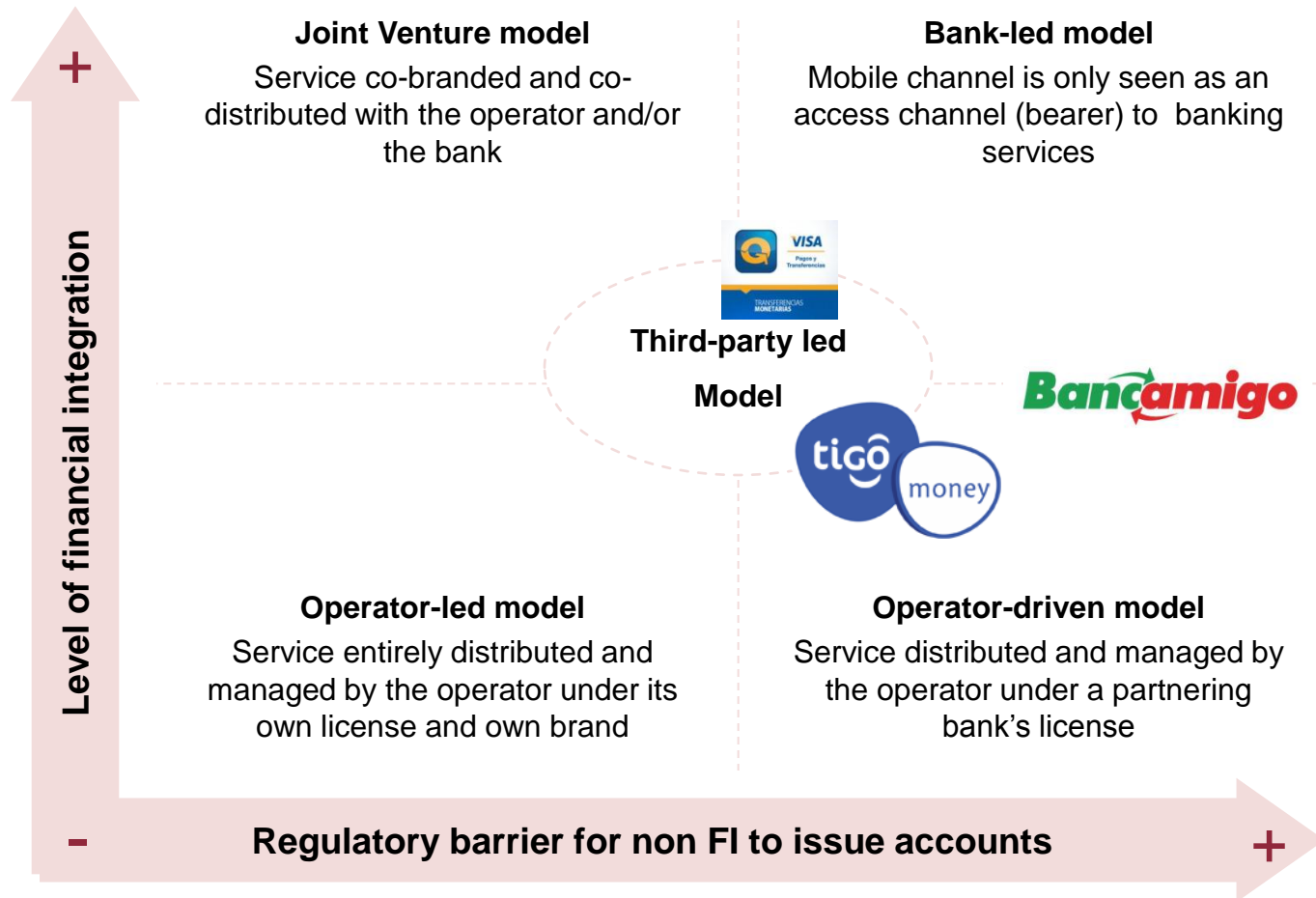
- Guatemala is the largest economy of Central America
- The retail sector is dominated by three supermarket chains targeting middle and high income consumers (40% of sales through supermarkets)
- Low income consumers mainly go to open-air markets and mom and pop stores (“tiendas de barrio”)
- Those tiendas de barrio, very small (on average 30 sqft), carry an inventory of ~US\$ 500 and are located in the medium and lower class neighborhood
- There are strong disparities between the interior of the country and Guatemala City but supermarkets are starting to look in the interior

Source: USDA 2010



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# Current MFS Initiatives in Guatemala



## Highlights

- There are currently two mobile financial services in Guatemala, involving the two leading MNOs:
  - Tigo Money was launched early 2011
  - Bancamigo (Claro/Banrural) was launched in Dec 2011

# MFS Implementations



- Services:
  - P2P transfer,
  - Cash in/out
- Service launched in Guatemala in 2011
- Distribution network (Pharmacy, Shell Select convenience stores are Tigo money agents)
- Tigo Money tariffs:
  - Cost for transferring money is 1.5 Quetzal for each 25 Quetzal sent (can send up to 5,000 Quetzal)



# MFS Implementations



## Bancamigo



- Service launched in Guatemala in 2011
- Services: P2P transfer, Remittances, G2P payments...
- Partnership Banrural y Claro
  - Customers need to have an account at Banrural to make a transaction
  - Customers can register at any Banrural or Claro agents
  - Registered users benefit from better tariffs
- Bancamigo Tariffs:
  - Free transfer between claro phones; 3 Quetzal (~0.40 USD)
  - Tier mechanism for cash-out:
    - <500 Quetzal: 5 Quetzal
    - 500-1000 Quetzal: 6 Quetzal
    - > 1000 Quetzal: 10 Quetzal