



Advancing financial access for the world's poor

# Mobile Banking in 2020

15 Feb. 2010

**Stephen F. Rasmussen**

[www.cgap.org/technology](http://www.cgap.org/technology)

# CGAP Technology Program

12 active projects in 9 countries, 12 policy diagnostics

- Research, policy and advisory
- Experimentation and communications
- Co-funded by the Bill & Melinda Gates Foundation



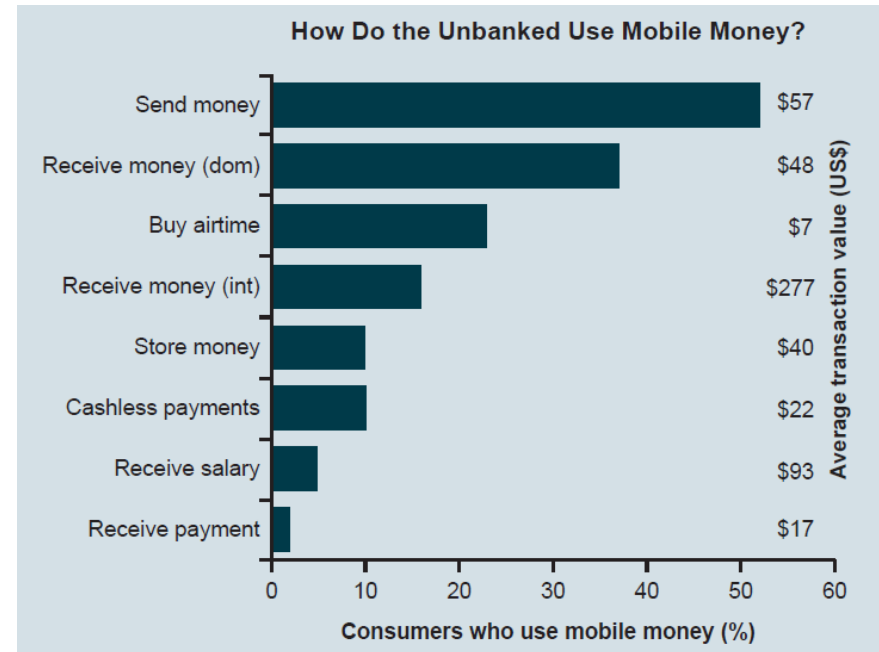
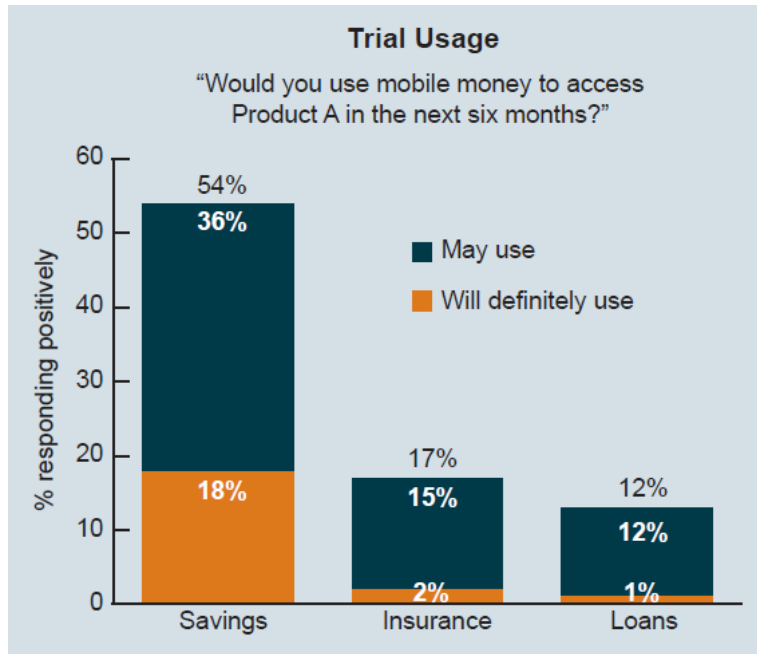
## Project Locations



## Areas of Focus

- **Clients:** what are the drivers of large-scale adoption and usage?
- **Providers:** what are the incentives for offering services to large numbers of poor people?
- **Governments and regulators:** how can they develop (1) safe and enabling regulations (2) policies that promote adoption?

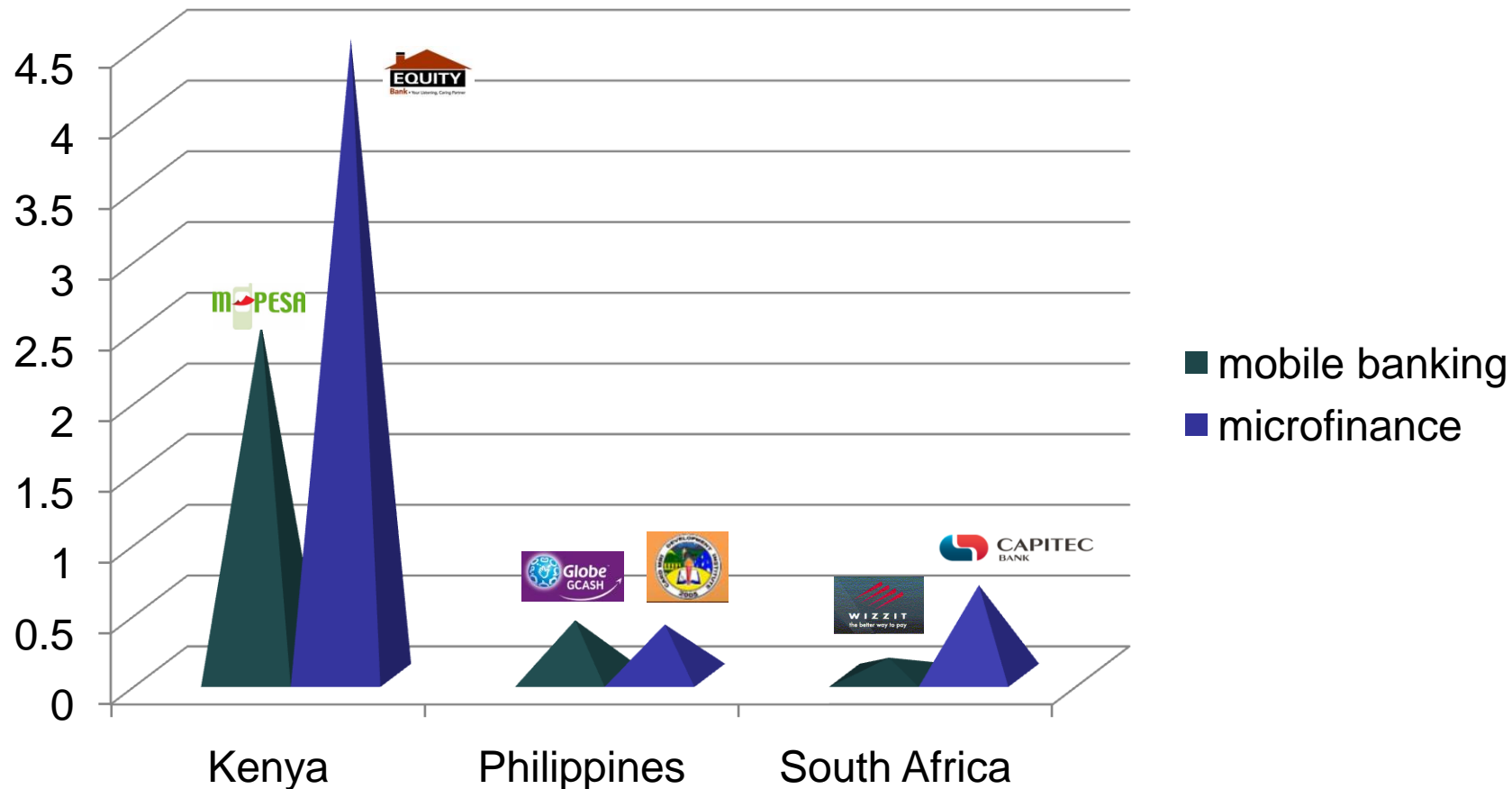
# Mostly payments and transfers, but strong desire for savings+



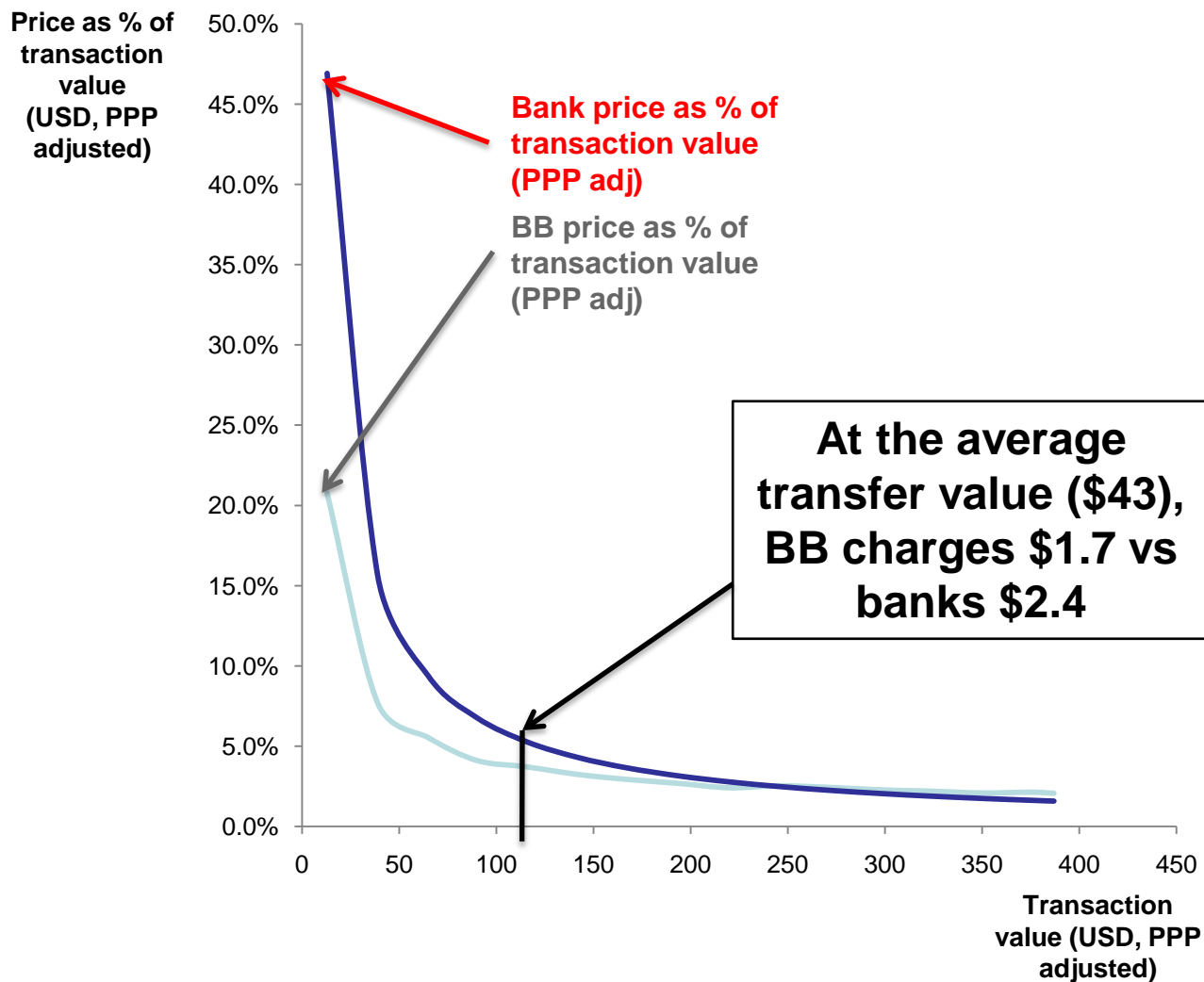
- **Payments and transfers are key.**
- **Data shows demand and uptake for a wider range of services.**

# Reaching low-income, unbanked people in large numbers

Active users, in millions



# Branchless banking is 26% cheaper than banks



## 8 use cases

- send money
- receive money
- short-term saving
- asset purchase
- bill pay
- transactional banking
- M-PESA bundle (2008)
- Kenya bank user

# Scenarios for Branchless Banking in 2020

- **Four Forces**

- Demographics
- Governments
- Crime
- Internet

- **Four Uncertainties**

- Who is allowed to play?
- How much will mobile banking go beyond payments?
- How will competition play out?
- How would a service failure affect market confidence?

**CGAP** **DFID** Department for International Development

Please join us for a panel presentation of the new report from CGAP and the UK's Department for International Development (DFID):

## SCENARIOS FOR BRANCHLESS BANKING 2020

**Date:**  
Tuesday, Dec. 1  
**Time:**  
3pm - 5pm  
Reception to immediately follow

**Location:**  
Room 1-2 250  
World Bank I building  
1850 I street, NW  
Washington, DC 2006  
(Entrance on the southeast  
corner of 19th and I Streets NW)

With the right market conditions, branchless banking, including mobile phone banking, will be the primary channel for poor people to get basic financial services by the year 2020.

The report is the product of a six month scenario-building project that engaged nearly 200 leaders from the fields of technology and finance from more than 30 countries. In all four scenarios modeled in the report, the adoption and use of branchless banking services is forecast to be higher in 2020 than it is today. But in two of the scenarios, bursts of rapid acceleration are followed by periods of fall-off or flatter growth.

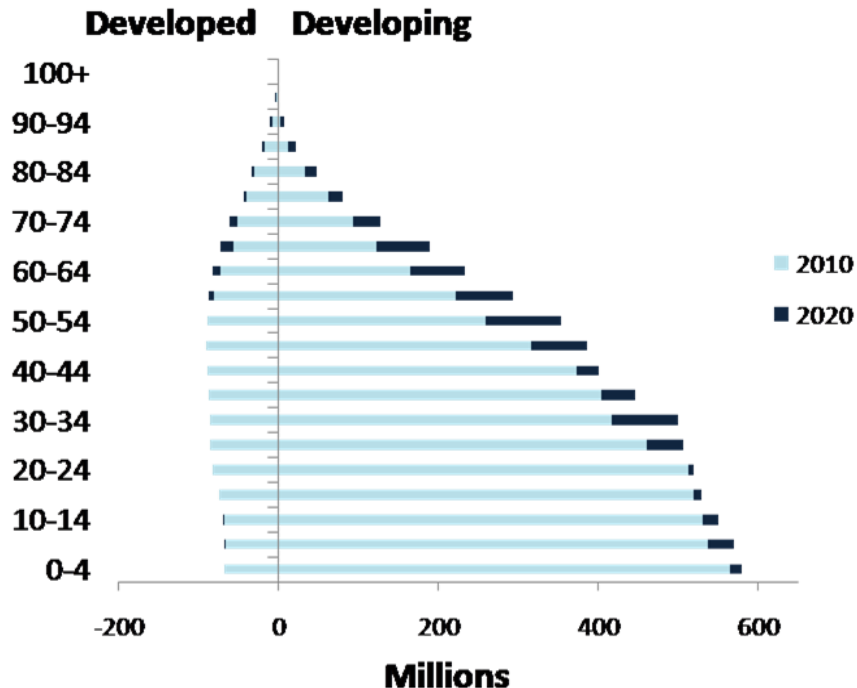
**The panel will include:**

- Elizabeth Littlefield, CEO of CGAP
- Mavis Okusu Gyamfi, Head of Professor, Private Sector Development, DFID
- Robert Arnabala, Global Head of Microfinance, Citigroup
- Rizza Maniego-Eala, Globe Telecom - Philippines
- Daniel Radcliffe, Bill & Melinda Gates Foundation
- Brian Richardson, WIZZIT - South Africa
- Abbas Skander, Tameer Microfinance Bank - Pakistan
- Abhinavk Singh, Eko - India
- Peter Stein, IFC

This event will be webcast from the CGAP Technology Blog at <http://technology.cgap.org>.

CGAP's Technology Program aims to improve the lives of millions of poor people. We do this by helping financial institutions and others to expand access to financial services through the innovative application of technology. The program is co-funded by the Bill & Melinda Gates Foundation.

# 1. Demographics – a younger, more urban world

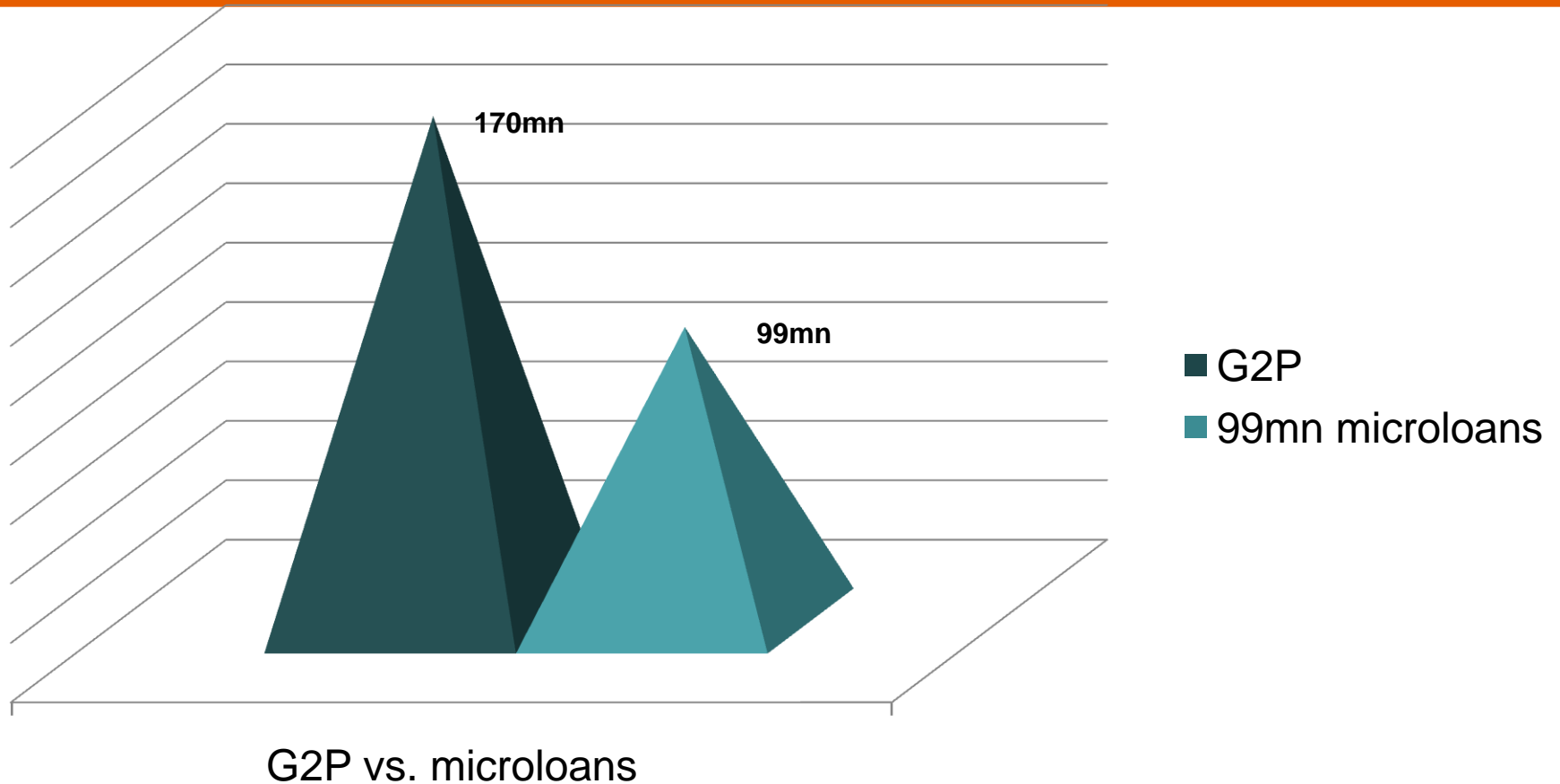


© CGAP 2008

Source: U.S. Census Bureau International Data Base

- **Clients in 2020 will include a large number of today's youth.**
- **Young people have limited capacity to spend on new services, but a higher propensity to adopt new technology.**
- **More people live in cities than in rural areas.** (United Nations, 2008)

## 2. Governments - more focused, less coherent



**•Government actions will likely be driven from a variety of motives and different agencies, not necessarily guided by a coherent strategy.**

# 3. Where money goes, so does crime

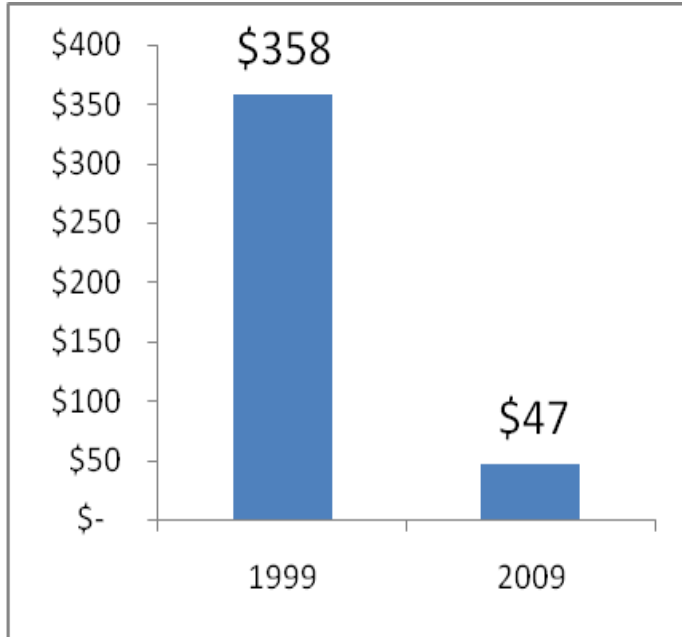
- Cash crime, where individuals, banks or merchants who carry cash are vulnerable to robbery
- E-crime, where new forms of crime target electronic delivery channels



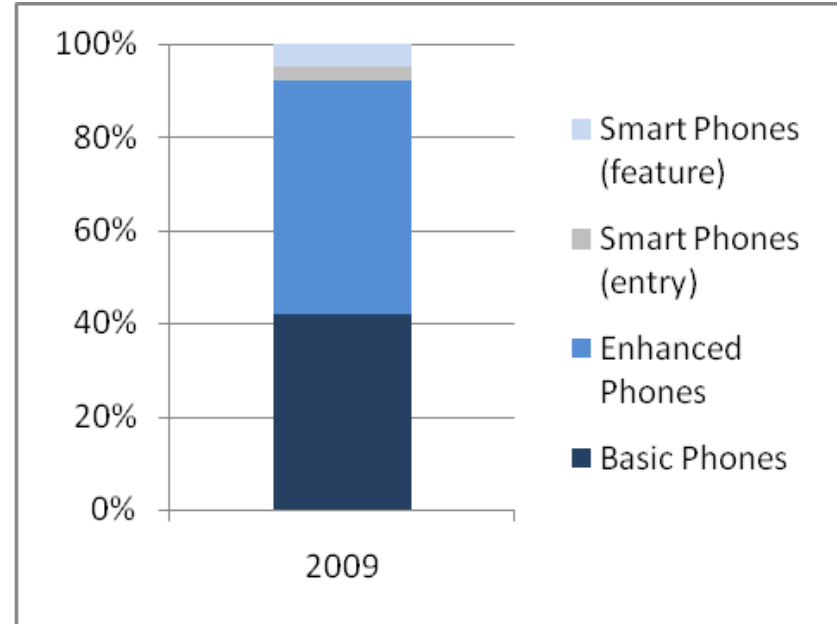
© CGAP 2009

**•One interviewee described it as “the nightmare scenario,” and the only thing they could imagine derailing the growth of mobile financial services.**

# 4. Internet = more providers and sophisticated offerings



RIM 850, 1999 (basic browsing) vs. Samsung B100, 2009 (GPRS/Java)



Gartner 2009

- **Web interfaces will improve the user experience compared to USSD or SMS.**
- **Internet access will enable solutions that do not depend on chip (SIM card) security solutions.**

# Uncertainty 1: Who is allowed to play?



*The Indian* **EXPRESS**  
JOURNALISM OF COURAGE  
RBI revises mobile banking norms

**The Economist**

Mobile banking

## A bank in every pocket?

Banking on mobile phones holds promise, provided regulators are willing to be flexible

**DAWN NEWS**

Mobile firms launch new services

By Our Staff Reporter  
Thursday, 15 Oct, 2009

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One telecom has introduced branchless banking, while another is allowing utility bill payment at its service outlets. —File photo by Reuters

## The Manila Times

BSP clears sale of thrift stake to Globe, Ayala

## BUSINESS DAILY

Safaricom Teams Up With Equity Bank To Boost M-Pesa's Liquidity

## THE PAYPERS

T-Mobile partners Monitise for mobile banking





Thursday 1 October 2009 | 06:35 AM CET

**THE ECONOMIC TIMES**  
ON SUNDAY

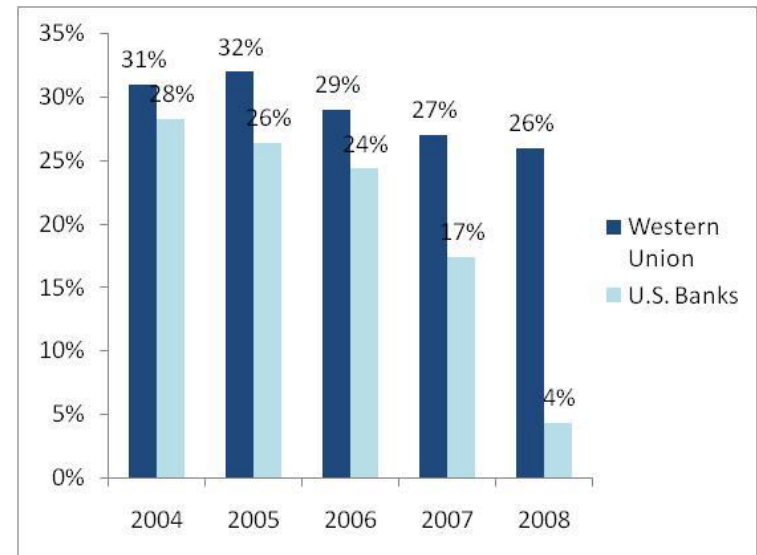
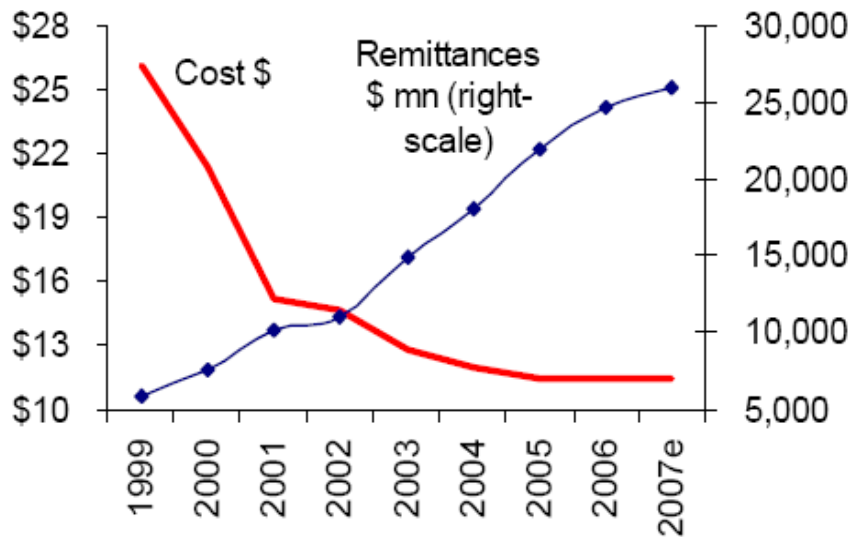
Banks to get sops for rural reach

3 Oct 2009, 0307 hrs IST, Anto Antony, ET Bureau

# Uncertainty 2: Going beyond payments?

Year	Country	Provider	Initial offering	Next wave
1999	Brazil	 Bradesco	bill payment	credit
2004	Philippines		money transfer	savings and credit
2007	Kenya		domestic remittances	savings and credit
2009	Pakistan	 easypaisa پیسہ آسان سے	bill payment	savings and credit

# Uncertainty 3: How will competition play out?



Western Union (2008), FDIC, World Bank

**Will competition spur more services, innovation, and lower margins and prices as it has in the past decade for banks and remittance companies?**

# Uncertainty 4: How would failure affect confidence?

- A high-profile failure could diminish:
  - the trust of consumers
  - the appetite of industry
  - the openness of regulators



US Library of Congress

**Consumers, even poor consumers, appear willing to make the transition to using electronic channels as long as they trust the provider.**

# The Bangladesh scenario

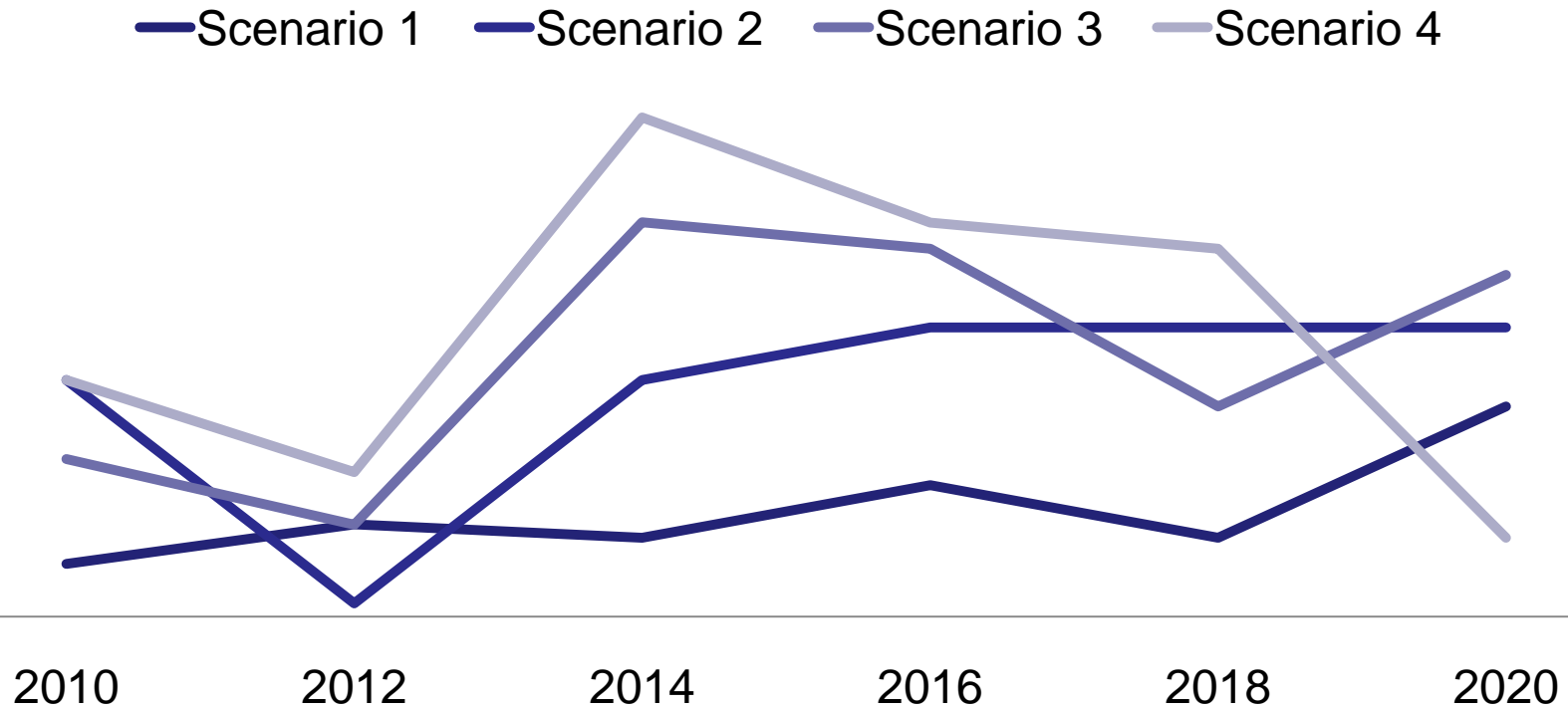
## Private sector

- **Large microfinance institutions** can contribute their credit expertise and distribution networks
- **Banks** are critical to the safety and soundness of the financial sector and provide essential treasury, foreign exchange and banking expertise
- **Mobile operators** offer a new wide reaching network for wireless communication to enable real-time transactional support
- **Technology solution providers** offer a range of the hardware and software necessary to innovate

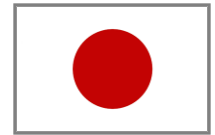
## Government

- **Regulatory certainty** through the issuance of transparent regulations and licensing processes
- Channeling a large share of **government payments through electronic channels** building a more secure and efficient delivery system
- **Promote fair competition** to ensure that innovation is encouraged and to avoid the monopolization of the payments system
- **Strengthen the national identification system to ease Know Your Client (KYC) requirements** and helping to provide further protections against money laundering and other abuses of the payments system

# How will you respond to forces and uncertainties?



- **Winning requires playing a long game.**
- **Partnerships and alliances will be critical.**
- **Services should reflect customer needs.**
- **Governments can foster innovation and channel payments.**



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[www.cgap.org](http://www.cgap.org)

[www.microfinancegateway.org](http://www.microfinancegateway.org)



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