Mobile Financial Services: a platform for greater financial inclusion
This huge number of failed transactions translates to millions of dollars in lost revenue—every day. At any given time, more than 50% of all prepaid customers have insufficient balance for their next transaction.

Globally MFS has been growing, with remaining challenges. 280 MFS deployments to date (30% growth yoy), 400 million registered accounts globally, and about 150 million active accounts (90 days). Focus on payments/transfers:
- 66% of transactions (in volumes) are still airtime top-up
- 71.5% of transactions (in value) are P2P

Source: GSMA; MMU; Amarante Consulting, August 2015

- LAC: 37 live projects
- Africa: 160 live projects
- Middle East: 5 live projects
- Europe & EE: 5 live projects
- APAC: 65 live projects
- 3 or more live mobile banking projects
- 2 live mobile banking projects
- 1 live mobile banking projects
How MFS works and what regulatory considerations

David just received a cash payment

David opens a MFS account at agent, 100kms from the nearest bank branch

David receives a SMS confirmation for his account and deposit!

He immediately sends cash to his mother, living 1,000 kms from there

She goes to an agent, 5 mins away from her place and 200 kms from the nearest bank branch

She withdraws some cash for her groceries

And makes some bill payments

David goes back home happy
The unresolved challenges

• Mobile Money has been good at payments, but not necessarily at storing value. Can that really work?

• Is payment the only problem that targeted unbanked are facing? What about getting the money in the first place?

• Why would people digitize their money?
A New Perspective

- Behavior
- Storage of value
- Meaning

Cogs labeled:
- Credits
- Payments
- Insight
Storing Money

How do we provide the same flexibility, liquidity and control with digital financial services?
Access to Money

Current MFS services

- Top-up purchases
- P2P* transfers
- Bill payments
- Merchant payments

Current Offering:

- Leveraging mobile phone and payment behavior data to assess credit risk
- Building insight through billions of transactions processed by our big data engine
- Designing and offering products that really matter

TIAXA nano credits™

TIAXA’s nanocredit offering:

- Loan products that meet customer needs
- Instant decision making in real time
- On-demand or overdraft facility
- Intuitive user experience
- Bundling with savings (optional)

P2P: Person to person
### Different digital credit models

#### Approaches to Mobile Credit

<table>
<thead>
<tr>
<th>Approaches:</th>
<th>Mass-Market Short Term Loans</th>
<th>Traditional Microfinance Institutions</th>
<th>Specific Segments</th>
<th>Collateralised Assets with Mobile Locks</th>
</tr>
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<tbody>
<tr>
<td>Benefits</td>
<td>Credit scoring enabled by MNO data provides ability to target mass market cost effectively. Possible downstream transaction benefits.</td>
<td>MFIs provide a strong channel to increase their reach to new borrowers and digitise their transactions.</td>
<td>Incentivise mobile money adoption by agents, merchants and entrepreneurs.</td>
<td>Digitise regular spending patterns (e.g. kerosene spending equal to or greater than energy micropayments).</td>
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<tr>
<td>Challenges</td>
<td>Requires strong bank partnership(s).</td>
<td>Mobile money is just a channel, low control of overall customer experience.</td>
<td>Niche, direct profitability may be low; important to identify indirect benefits.</td>
<td>Developer APIs needed; mobile money is just a channel.</td>
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<td>Examples</td>
<td>M-Shwari (Kenya), EcoLoans (Zimbabwe)</td>
<td>Musoni (Kenya), Airtel / CEFOR (Madagascar)</td>
<td>Kopo Kopo Grow (Kenya), Kiva Zip (Kenya), Zoona Growth (Zambia)</td>
<td>M-KOPA Solar (East Africa), Buffalo Grid (Sub-Saharan Africa, South Asia)</td>
</tr>
</tbody>
</table>

**Common features:**

1. Based on access to data
2. Focus on specific segments
3. Tied to specific use cases
Building Customer Insight

Each piece of information is meaningful and leads to deeper customer insight while helping manage risk

GSM usage
- Top-up frequency/amounts
- GSM consumption information

Payroll or other regular payments
- Payroll, subsidies
- Cash flow, credit needs

Money transfers
- Frequency and value
- Receiving or sending?

Utility payments
- Cash flow indicator
- Financial sophistication

Cash in
- Cash flow information

KYC information
- Full name
- Account type
- Date registered
- KYC status
- Date of birth, region…
Targeting different needs

Country Economic Pyramid

- **Banked**
  - Mature customers
  - Up to $50

- **Informal**
  - Emerging customers
  - Up to $50

- **Hand to mouth**
  - Survival customers
  - Nano-loan: <$5

Main factor is Convenience

Necessity or productive investment

The size of these segments vary from a market to another.
Example of M-Pesa

**2007:** M-Pesa launch by Safaricom, focusing on the domestic remittance market

**Early 2007:** Launch of additional payment services (airtime purchase, bill payment, merchant payments...)

**2009:** M-Kesho is one of the first microfinance products on the mobile channel

**Early 2009:** Kenyan banks started to integrate their core banking systems with M-Pesa so as to enable money to flow from bank accounts to m-Pesa wallets

**2009:** Loyalty program enabling M-Pesa customers to win Bonga Points for each paying transaction initiated

**2009:** M-Kesho: 500k clients 6 months after launch

**M-Pesa and banks**

**M-Kesho compte d'épargne**

**M-Shwari Savings and credit**

**M-Pesa P2P Payments**

**M-Pesa Transactional Services**

**M-Pesa Na Bonga**

**2009:** M-Kesho: 500k clients 6 months after launch

**M-Shwari: 10Mn savings accounts opened in 3 years. 50K loans / day, AVG loan of $15**

**M-Pesa: 20 million clients**

**Over 80,000 agents**

**Within 3 years, M-Shwari has achieved with a partially secured product:**
- 10 Mn M-Shwari savings accounts opened
- 50K+ loans disbursed every day
- 30 day loans, with a facilitation fee of 7.5%
- 20.6 million loans disbursed to 2.8 million unique borrowers, totaling $277 million
- Average loan of $14
- 97% recovery
Some Findings From Our Roll-outs In Africa

- Regulatory challenges are still there
- Scoring algorithms need to be localized
- It’s often about short term needs
- Short term loans tend to work better
- Customer engagement is key
- Information presentation matters
- The need to build recurrence
- Continuous commercial management
Achieving financial inclusion through MFS

External factors

Infrastructural factors

Socio-economic factors

Regulatory framework

Socio-economic factors

Private sector players

Core business incentives

Strategic vision

Partnerships

Sound operations

Risk management

Agent network

Customer education & mktg

Sound operations

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Thank you