



Deploying a MNO's Mobile Banking Solution for the Microfinance Sector: What are the Key Issues to Address?

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Glossary

BCEAO: French initials of the Central Bank of the WAEMU Zone, composed by 8 Countries
(*Banque Centrale des Etats de l'Afrique de l'Ouest*)

BOA: Bank of Africa

IC: Ivory Coast

LR: Loan Repayment

MB: Mobile Banking

MIS: Management Information System

MNO: Mobile Network Operator

OM: Orange Money (Mobile Banking Solution developed by France Telecom Orange)

UBA: United Bank of Africa

WAEMU: West African Economic and Monetary Union
(*Benin, Bissau Guinea, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo...*)

Summary

- ☒ Deployment of a Mobile Banking Program for MFIs in the WAEMU
- ☐ Sharing our Experience: Focus on the Main issues to Address
- ☐ Benchmark of a mature Mobile Banking Market: M-Pesa in Kenya

Deployment of a Mobile Banking Program for MFIs in the WAEMU

- ❑ In the WAEMU Zone, a Context globally favorable to Innovation for MFIs

- ✓ **A Natural Potential of Growth**
- ✓ **A More Competitive Market**
- ✓ **An Easier Access to Technology**
- ✓ **A Favorable Regulatory Context**



- **A Clientele Portfolio below the estimated Potential and a Market which is far from being mature**
(Active Pop.: 40 M; Bank Cl.: 2,5 M; MFIs Cl.: 6 M)
- **The entrance of new Banking Actors (UBA, Ecobank, BOA...)**
- **The opportunity to improve MFIs' Processes, Performances...**
- **Regulatory Requirements and Concerns addressed by the BCEAO Framework (July 2006)**

Deployment of a Mobile Banking Program for MFIs in the WAEMU

- ❑ An Innovative MB Program dedicated to MFIs with the support of 3 Sponsors

❑ 3 Sponsors :

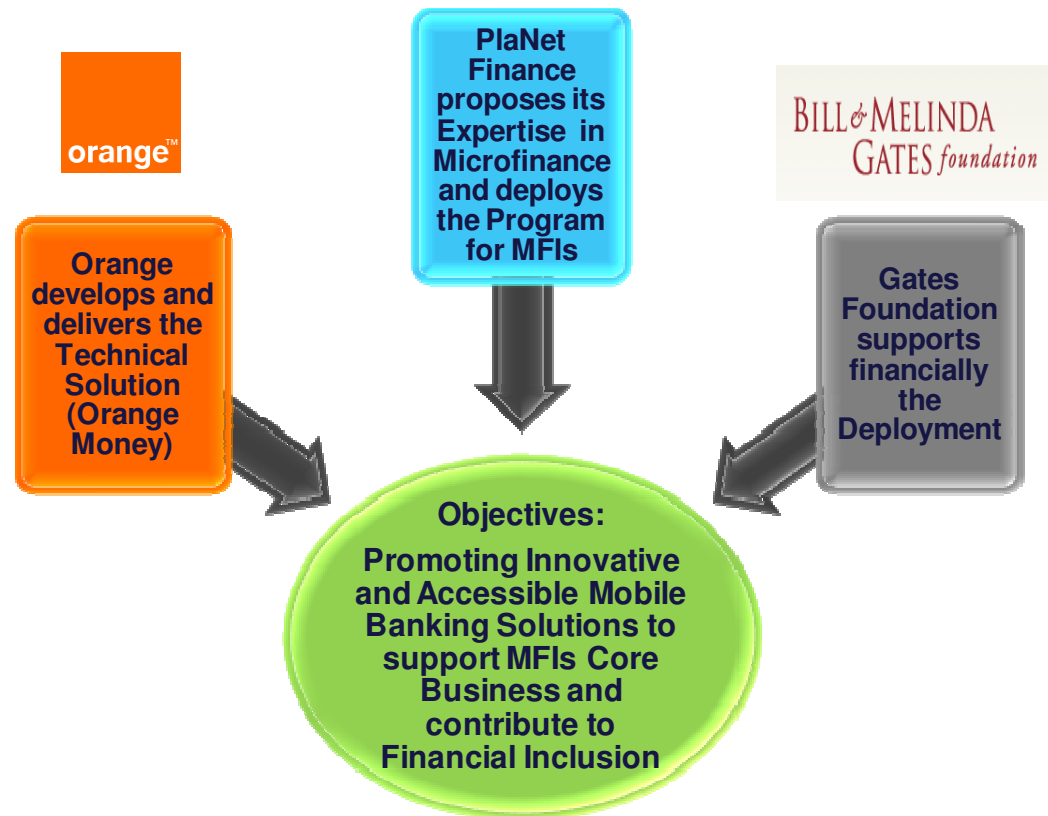
- PlaNet Finance
- Orange
- Gates Foundation

❑ 3 Countries:

- ❑ Mali
- ❑ Ivory Coast
- ❑ Senegal

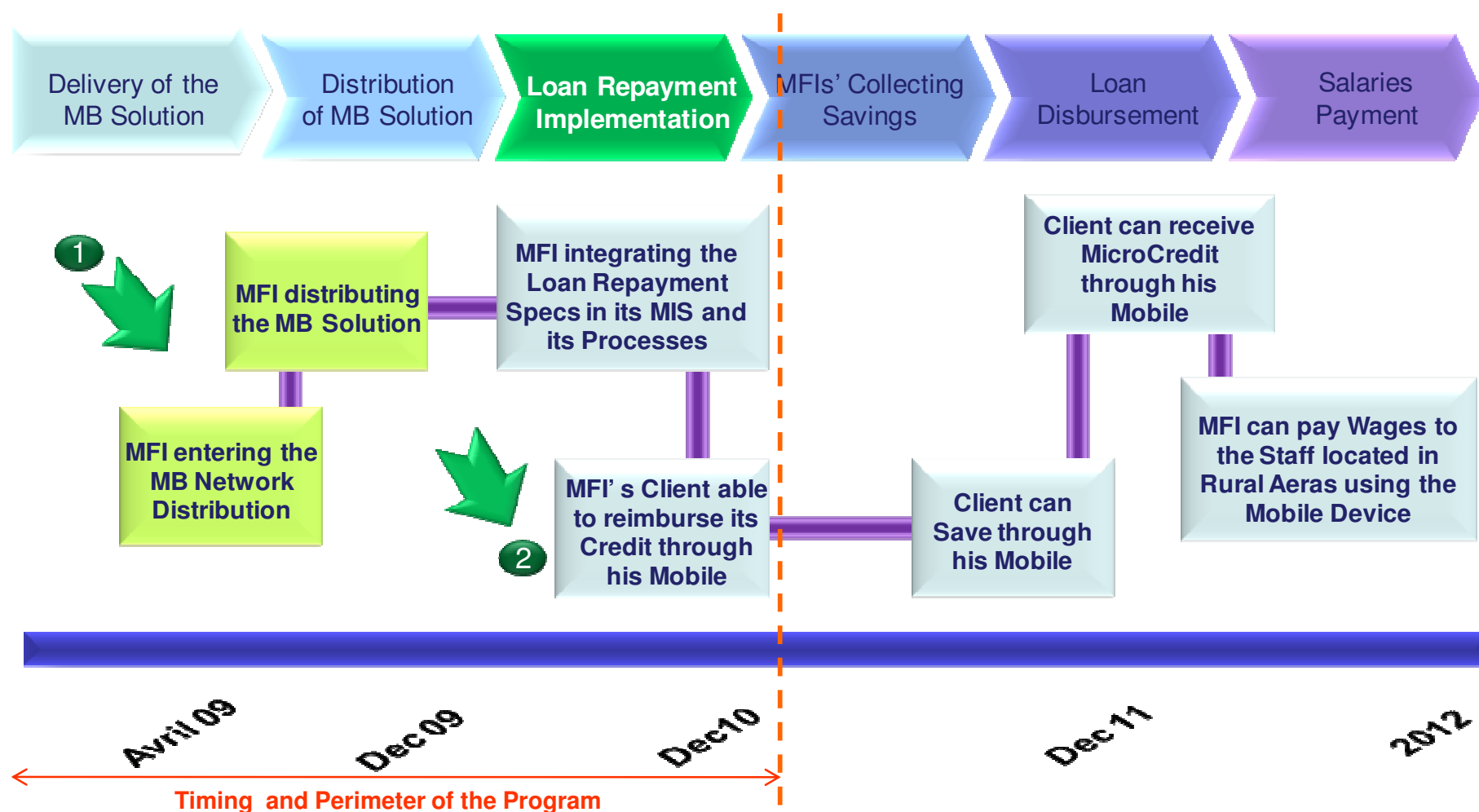
❑ Period of time:

- ❑ 2 Years



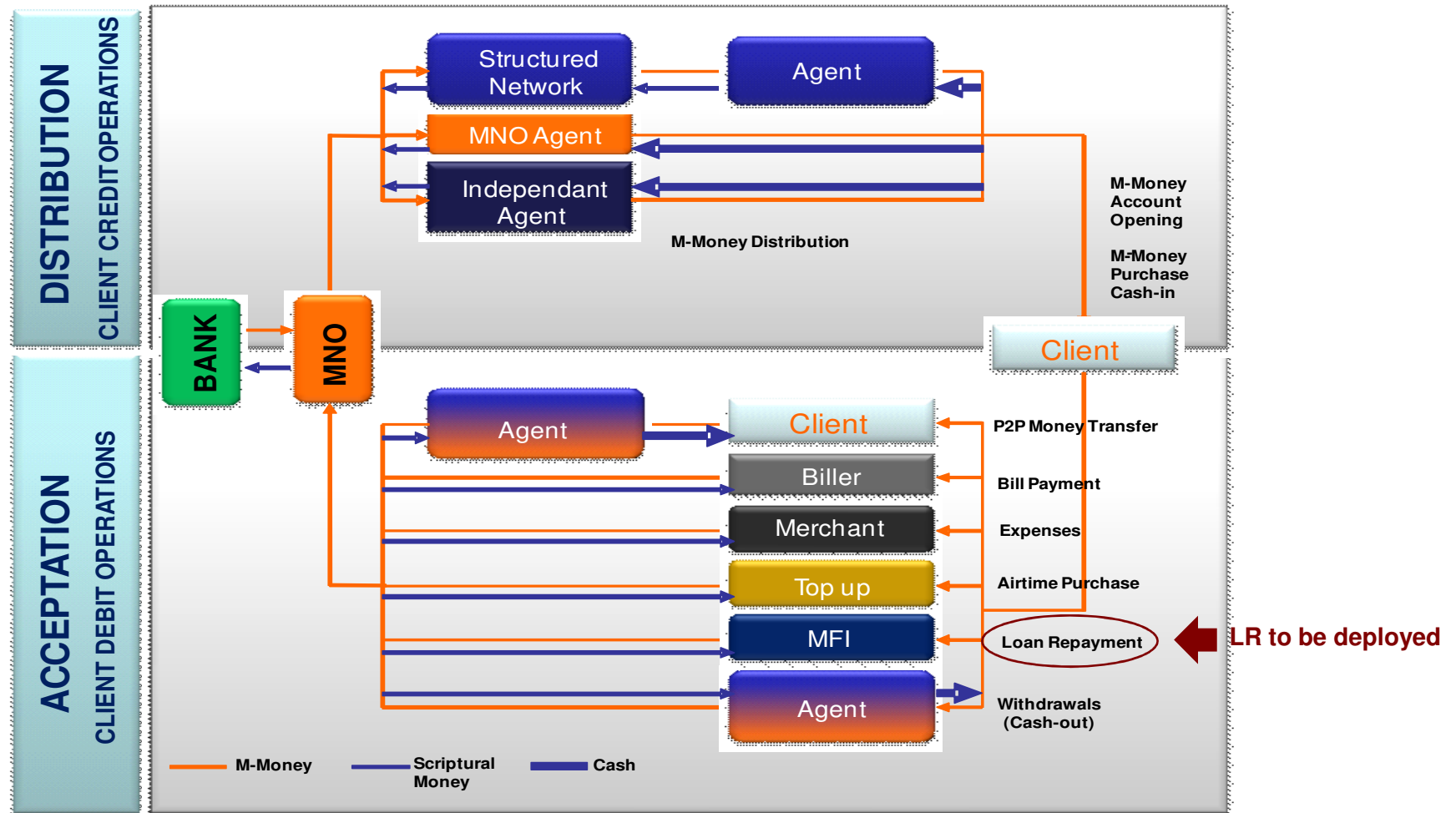
Deployment of a Mobile Banking Program for MFIs in the WAEMU

□ Distributing and Using the Mobile Banking Solution for Loan Repayments



Deployment of a Mobile Banking Program for MFIs in the WAEMU

- ❑ A Solution commercialized in IC since Dec-08 (cf. Ecosystem & Value Proposition)



Summary

- ❑ Deployment of a Mobile Banking Program for MFIs in the WAEMU
- ☒ **Sharing our Experience: Focus on the Main issues to Address**
- ❑ Benchmark of a mature Mobile Banking Market: M-Pesa in Kenya

Sharing our Experience: Focus on the Main issues to Address

- ❑ Challenge of creating the “Alchemy” between 2 remote and different Markets
 - ✓ The difficulty to open MNOs (Managers) to a specific Market they don't know...
 - ✓ ... And to develop a coherent Com' Strategy with, sometimes, very distant Segments of Clientele (depending on the positioning of the MNO)



Sharing our Experience: Focus on the Main issues to Address

❑ MFIs' (Un)Readiness to integrate Mobile Banking Solutions to their Activity

- ☑ Governance Concerns of MFIs can be critical in certain Countries
- ☑ Difficulty for MFIs to manage their Growth Strategy can have a negative impact
- ☑ Liquidity and Financial issues don't facilitate the commercial integration of MB
- ☑ MIS insufficiencies or inexistence make many MFIs ineligible to the Program

=> Many Aspirants, for Few Eligible MFIs, and the Risk of “Adverse Selection”

Sharing our Experience: Focus on the Main issues to Address

- ❑ Difficulty for MNOs to propose MB Solutions dedicated to Microfinance
 - ✓ Developing specific Microfinance functionalities takes time and is costly for a MNO
 - ✓ ... It adds uncertainty in an already uncertain Business Case led by Remittances
 - ✓ A credible Business Case remains to build by MNOs for MFIs



Sharing our Experience: Focus on the Main issues to Address

❑ Mismatching between the Aim of MB Programs and the Reality on the Ground

- ✓ For MFIs, expectation of a Financial Support rather than a Technical Assistance
- ✓ The risk of a biased involvement from certain MFIs, with the Mobile Banking Program only perceived as the mean to accede to Sponsors and to raise Funds
- ✓ Profitability-Led Strategies developed by MFIs sometimes forget the Client and can be in conflict with the Objectives of the Program
- ✓ MFIs work on Proprietary Solutions and see with defiance Partnerships with MNOs (reluctance to the Risk of being committed with MNOs in exclusive Contracts)

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Benchmark of a mature Mobile Banking Market: M-Pesa in Kenya



❑ M-Pesa (SAFARICOM) is a phenomenal success in Kenya...

- ✓ More than 7 Million Clients after 2 ½ Years of Activity (03/2007 - 09/2009)
- ✓ 12 000 Agents and more than 200 Acceptors
- ✓ 10 000 Customers recruited every Day and 2 Million US \$ transferred per Day
- ✓ Above 2 Billion US \$ gross cumulative Amount of Transfers since the Launch

Benchmark of a mature Mobile Banking Market: M-Pesa in Kenya

❑ M-Pesa has also positively changed Kenyan Behaviors in terms of Payment...

- ✓ Less “Matatu” (collective transport) and “hand to hand” Transfers, much more risky and incertain than Mobile Banking Transfers
- ✓ Post Services, judged expensive and inefficient by Kenyans, have been replaced by M-Pesa more competitive and convenient

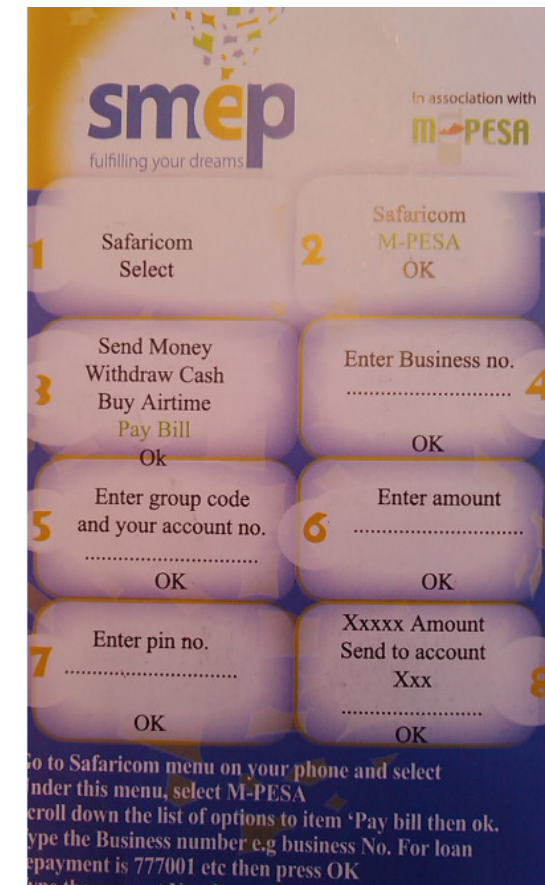
Before (without M-Pesa)	Today (with M-Pesa)
Hand to Hand: 58%	Hand to Hand: 32%
Bus: 27%	Bus: 9%
Post: 24%	M-Pesa:47%

Source: Safaricom (AFI Conference, Sept 2009)
=> 47% of Kenyan people interviewed use M-Pesa (possible to cumulate)

Benchmark of a mature Mobile Banking Market: M-Pesa in Kenya

❑ ... Nevertheless, the Microfinance Sector remains to be addressed !

- ✓ A few Partnerships (SMEP, FAULU, KADET...), while Microfinance was the initial positioning for M-Pesa in 2003-2005 (Pilot with FAULU in 2005)
- ✓ An heterogeneous and on-going Business Case for the MFIs in Partnership
- ✓ No specific Services dedicated to the MFIs :
 - Bill Payment Specifications used by MFIs /
 - Groups Members issue...
- ✓ Slow taking-off for Loan Repayment, with a few Customers recruited after 2 Years of Pilot and Commercial Activity



CONCLUSION

- ❑ Mobile Banking Solutions are supposed to shorten Distances, facilitate daily life of Populations, of which Poor, and in so doing to allow Financial Inclusion and Socio-Economic Development
- ❑ But many Issues remain to be addressed, to be able to propose to MFIs Mobile Banking Solutions adapted to their Needs and enhancing their Core Business (efficient Com', Process, Cash Management & HR Optimization, Members Retention, Recruitment...)
- ❑ For MNOs, it can be the opportunity to accede to a “Mass Structured” Basis of Clientele and Agents, in order to guarantee the Success of their Offers through a global Geographical and Clientele Coverage





Thank You!