

Design Principles for Successful Payment Banks Lessons from International Experience

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GSMA's State of the Industry Report 2014

255 mobile money services in operation across 89 countries.

Services now available in >60% of developing markets.

End 2014: 103 million active mobile money accounts (up from 73 million in 2013).

21 “sprinter” services now have > 1 million active accounts.

But 234 have failed to do so.

So what separates the “sprinters” from deployments that limp?

Investment

1. In **understanding the market** – M-PESA took 18 months to research, test & refine the product, UI and marketing materials
2. In **technology** – in-house or cloud-based, must be flexible and allow for growth
3. In **building a robust & reliable agent network**

Illustrative Capex/Opex for the Evolution of Digital Financial Services

Source: Almazan & Vonthron: “Mobile money profitability: A digital ecosystem to drive healthy margins”, GSMA-MMU 2014

	Start-up (1-2 years)	High Growth Remittance-based (4-5 years)	Mature Ecosystem-based (>5 years)
	Costs as % of Revenue	Costs as % of Revenue	Costs as % of Revenue
Non Transaction Costs			
Commerical Costs	650%	29%	25%
Operating Costs	107%	24%	20%
CICO Commission Costs	69%	45%	33%
Total OPEX	826%	98%	78%
CAPEX (depending on model)	\$1-3 million	8%	3%

Understanding the Market (1/2)

1. To define **anchor products**

- **Kenya** (from MFI transactions to “Send money home”)
- **Ghana** (from remittances to bill pay/savings/insurance)
- **India** (remittances and now G2P)

2. To **OTC** or not?

- **Pakistan** (**formal ID-based** but take-up of registration a struggle – 14 million (11% of adult population) registered but only 10.7% active [30 days])
- **Bangladesh** (**informal** - take-up of registration a struggle – 10 million (9% of adult population) registered & about 78% active [30 days])
- **India** (will agent assisted be key or will it limit uptake of products/services?)



Understanding the Market (2/2)

3. Savings/loans

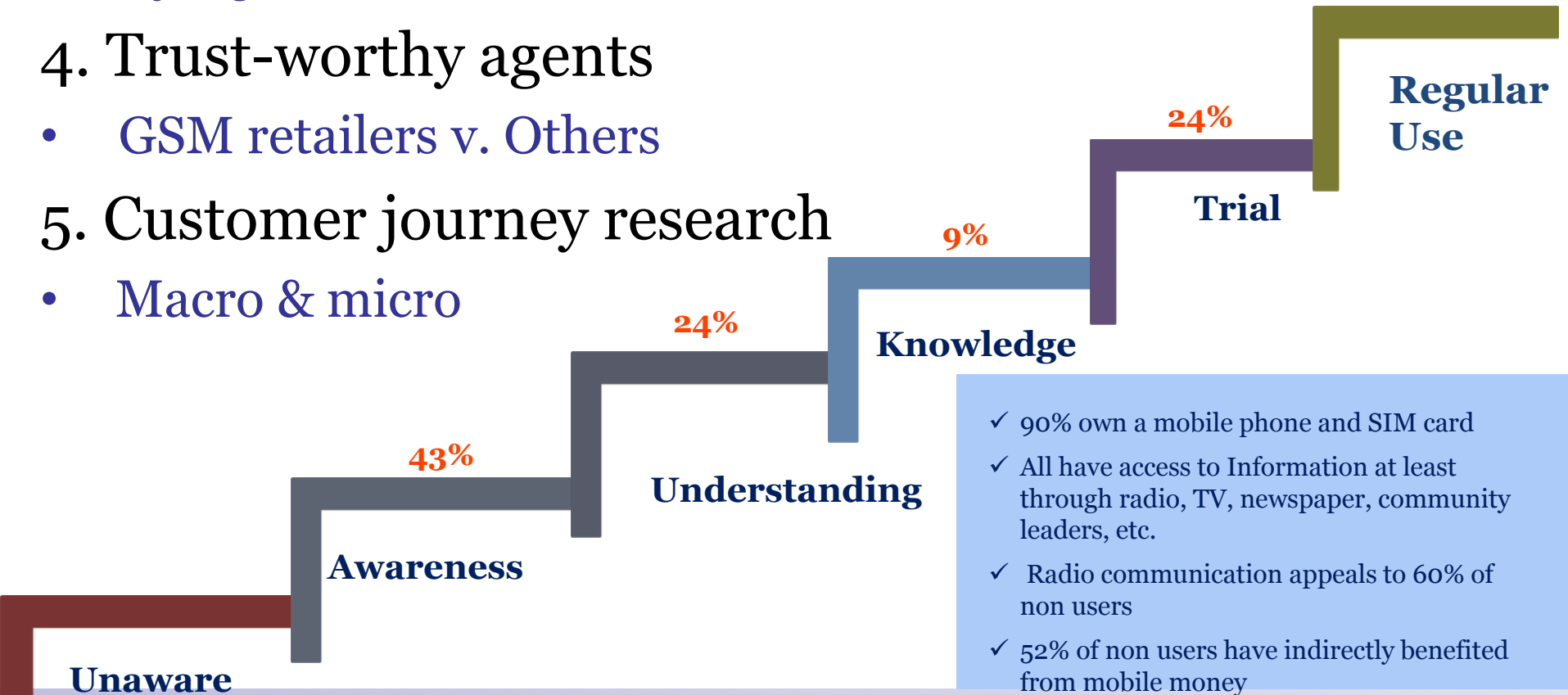
- *M-Shwari* and *KCB-M-PESA* (bank/data-based) (9 mn borrowing \$240 mn in 2 years) and (1.5 mn in 2 months) – Kenya adult pop ~ 25 mn
- *Jijenge* (think Sahara/LIC!)

4. Trust-worthy agents

- GSM retailers v. Others

5. Customer journey research

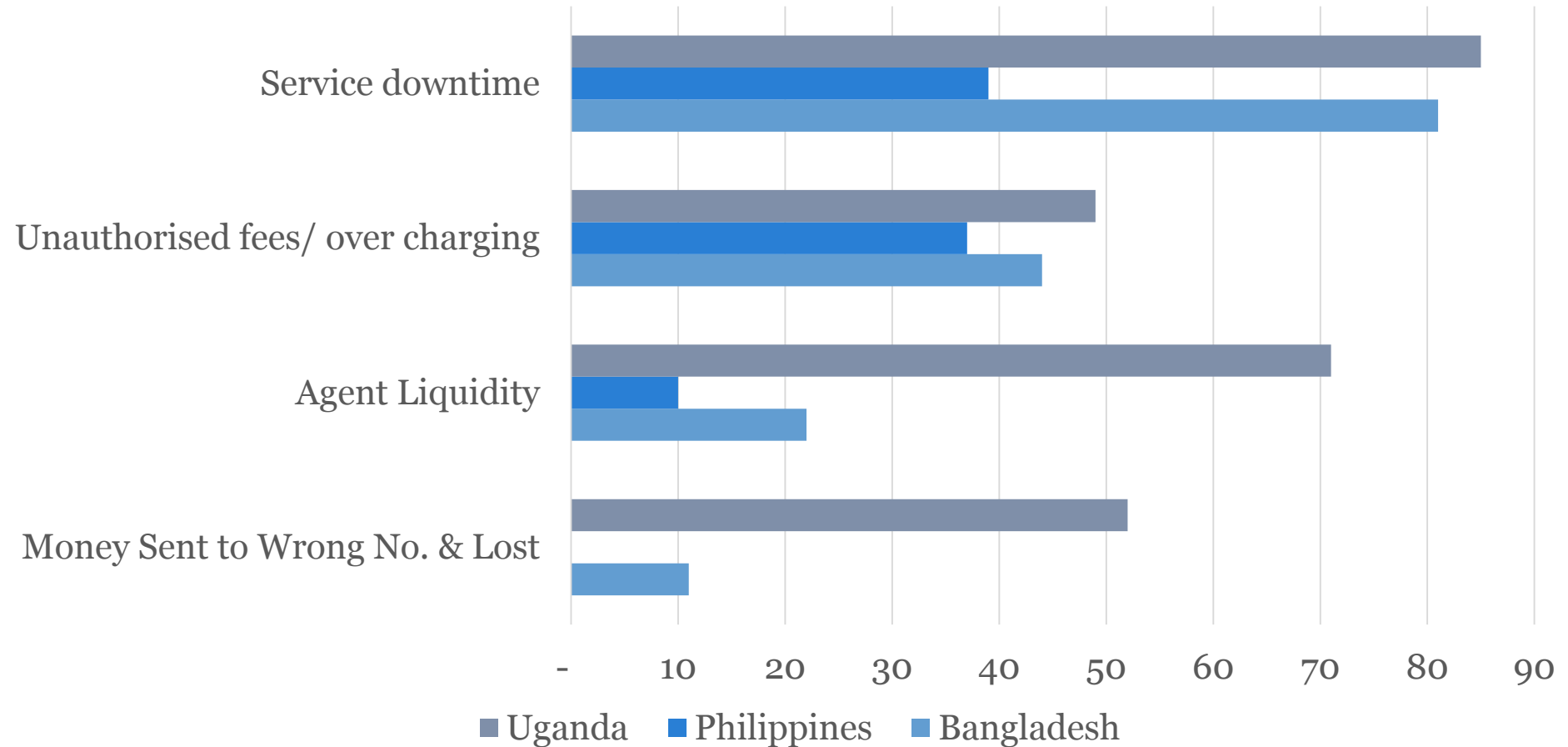
- Macro & micro



Technology

Why it matters

Customer Service Issues
(% of respondents mentioning the issue)

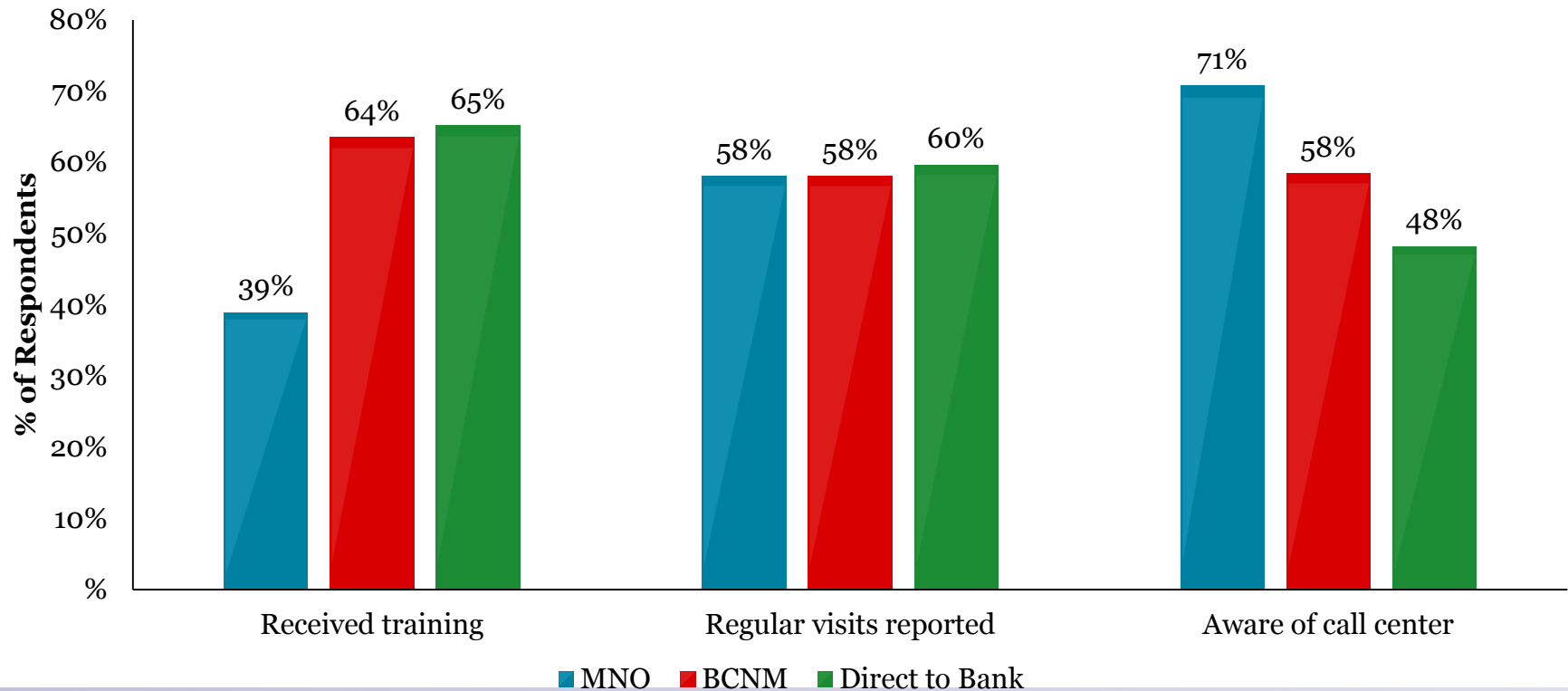


Agent Networks (1/4)

Why it matters Agents: the face of your bank

- **Training** (beyond making basic transactions)
- **Management/monitoring visits** (brand/liquidity/pricing)
- **Call centres**

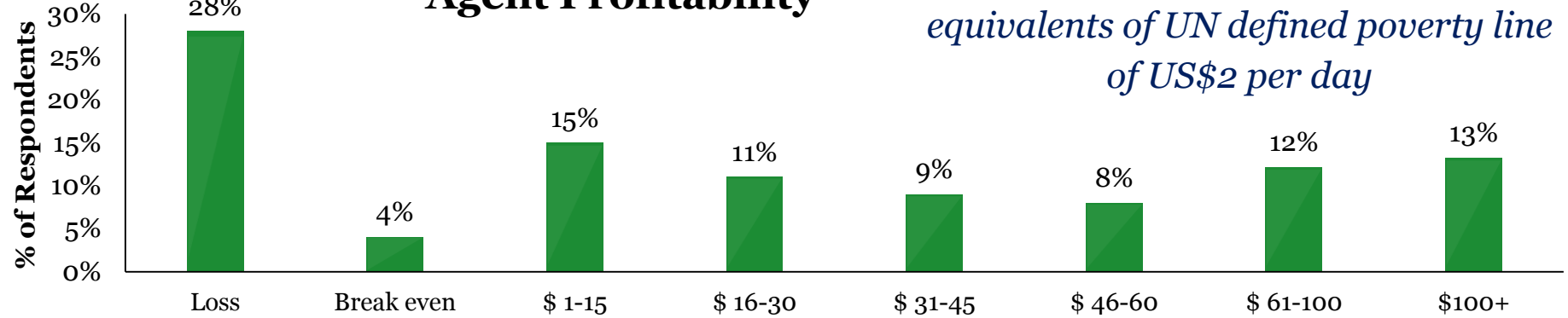
“Agents who are more transparent with their pricing and more knowledgeable about mobile money policies experience significantly higher transaction demand ... service quality is critical to a healthy agency.” – [The Helix/Harvard Business School](#)



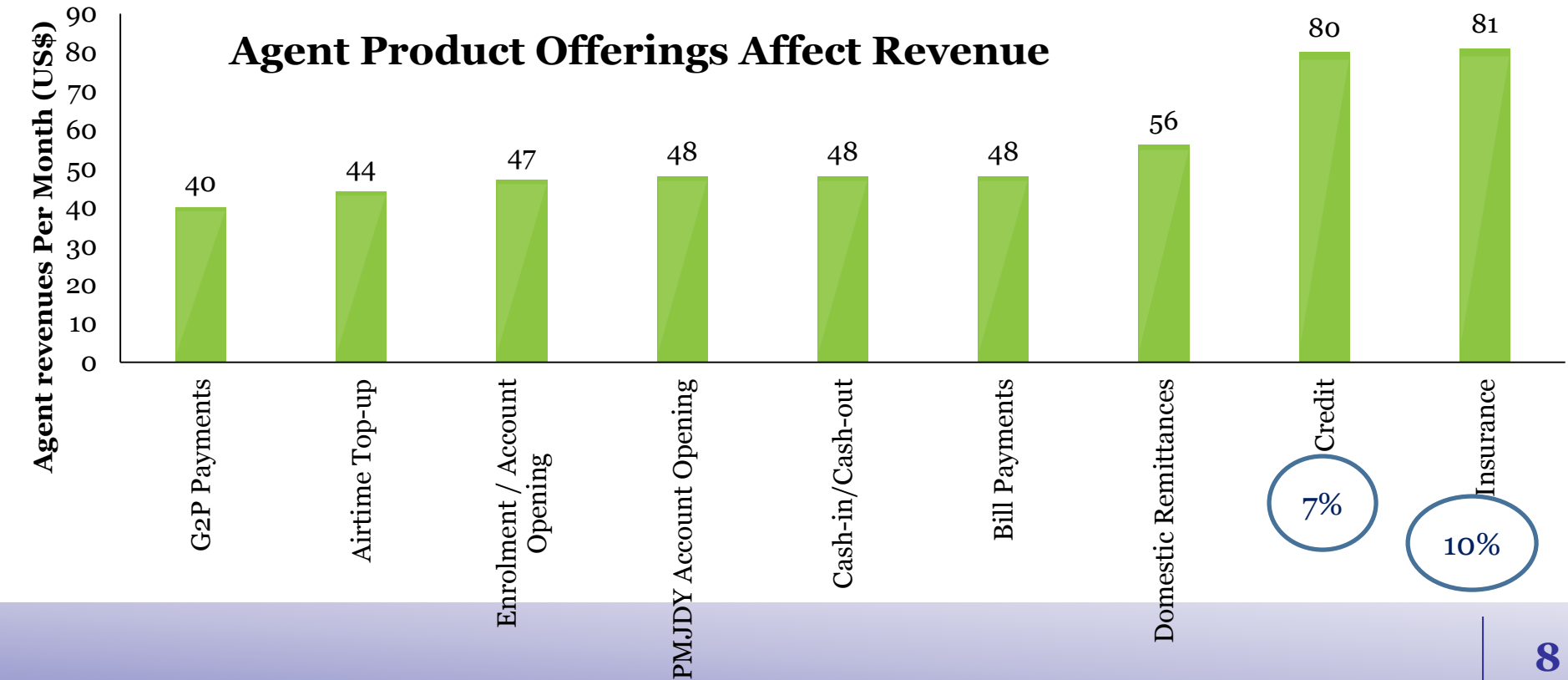
Agent Networks (2/4)

52% of Indian agents report profits below US\$18 the PPP adjusted monthly equivalents of UN defined poverty line of US\$2 per day

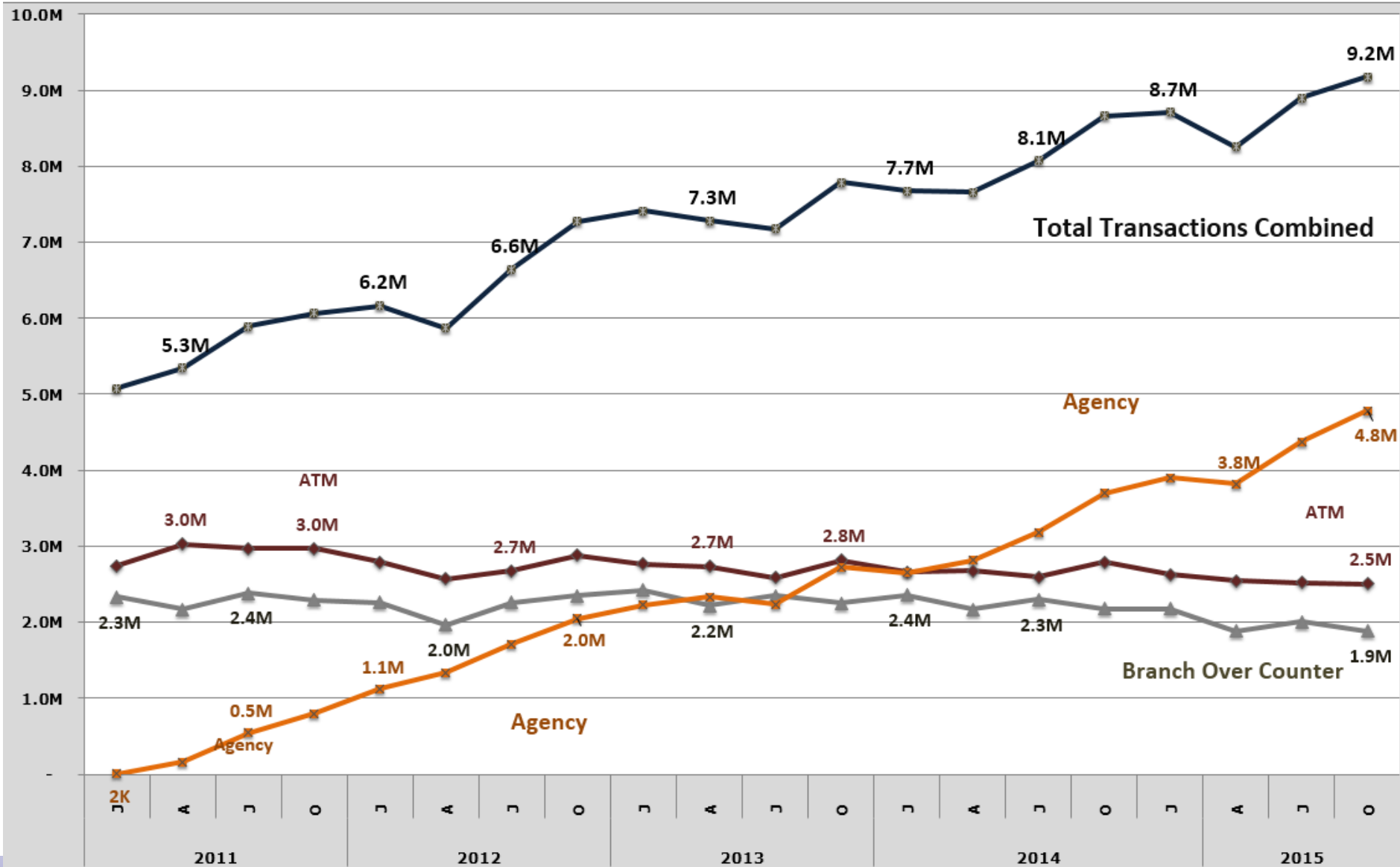
Agent Profitability



Agent Product Offerings Affect Revenue



Agent Networks (4/4)



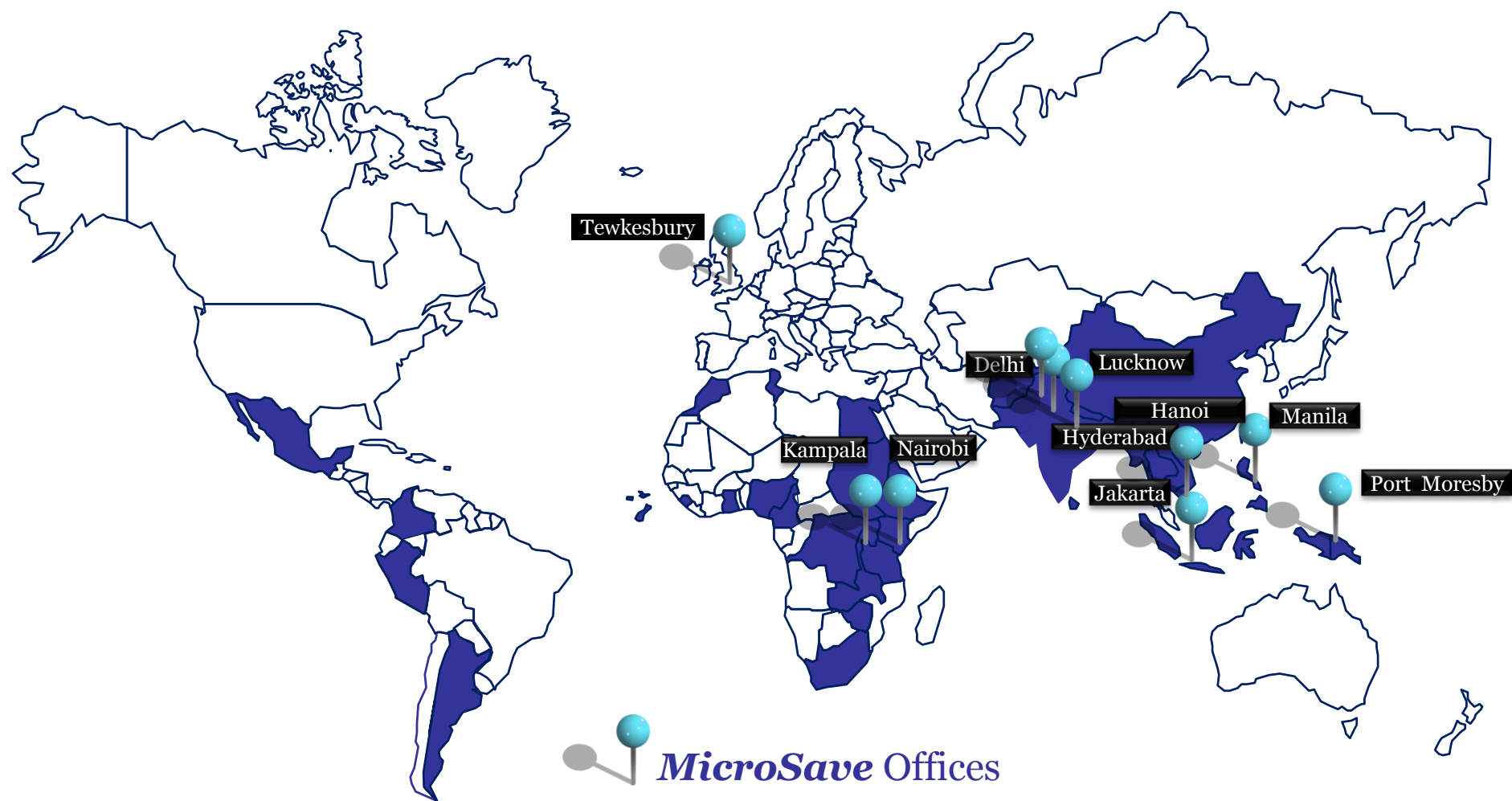
Payments Bank As Drivers of Financial Inclusion

- The Mor Committee and RBI see payments banks as drivers of financial inclusion
- The government is pushing PMJDY
- The time, regulatory environment and market is right
- And for those that invest and proceed strategically the opportunity looks enormous!

More details on these ideas in two booklets:

1. Payments Banks: What Can We Learn From International Experience?
2. Payments Banks: What Can We Learn From Indian Experience?





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