

(Mobile) Payments, lessons from M-Pesa?

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What is M-Pesa?

Pre-paid mobile phone

Microfinance

“Mobile” microfinance business flow

What could this mean for Romania?

- ❑ A Mobile Payment Provider (MPP), created by Vodafone and Sagentia (www.sagentia.com)
- ❑ Millions of subscribers
- ❑ Takes care of money transfers of (relatively) low amounts for B2C, C2B, B2B and C2C
- ❑ A subscription (=account) with M-Pesa is necessary, however no bank account is needed
 - ❖ money must be stored with M-Pesa, before any transfer can be made
 - ❖ there is a maximum to the amount which can be stored in M-Pesa
- ❑ Makes use of simple SMS protocols
- ❑ A very simple mobile phone is enough to use M-Pesa
- ❑ *Safaricom's (=M-Pesa) local shops are used to store/get out the money in/from M-Pesa (in pre-paid phone terms: credit is bought in the local shops)*
- ❑ Up till now no fraud issues in the media
- ❑ Is seen as that trustworthy that many accounts have (small) deposits with M-Pesa, although M-Pesa does not give any interest on the deposits

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- ❑ A subscription (=account) with a provider is necessary
 - ❖ money needs to be stored with that provider
 - ❖ any time contract services are used, the pre-paid credit with the provider decreases
- ❑ Millions of subscribers
- ❑ SMS services provided
- ❑ A very simple mobile phone can do the trick
- ❑ *Credit can be bought in many shops*

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***Microfinance** is the provision of financial services to low income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.*

More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers."

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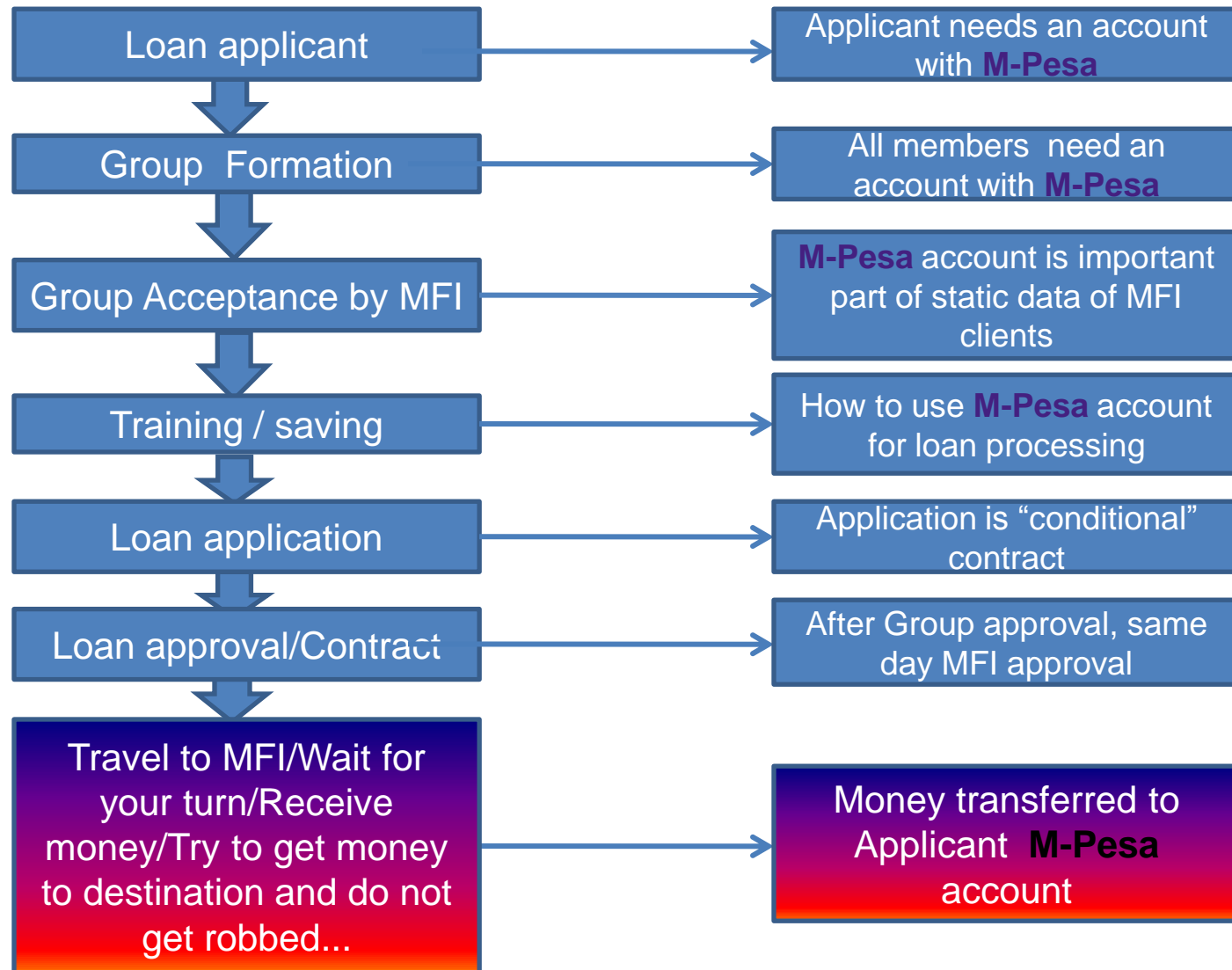
Microfinance



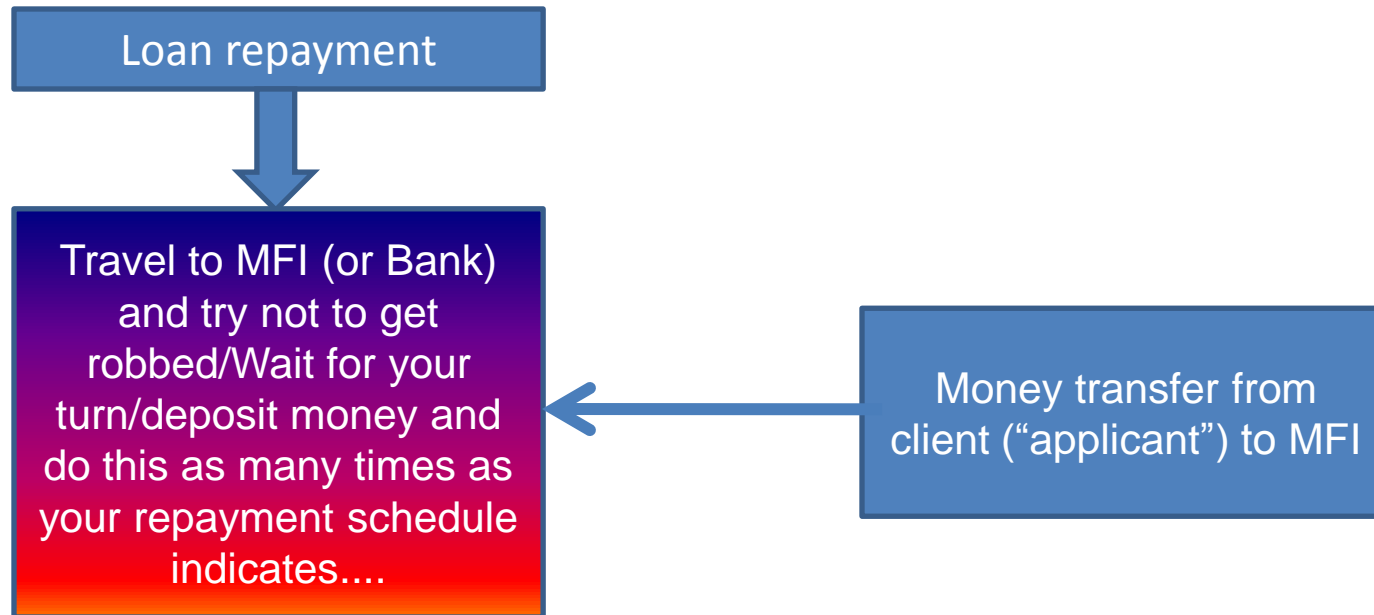
“Mobile” microfinance business flow

What could this mean for Romania?

“Mobile” MF Business Flow (MF and M-Pesa)



“Mobile” Business Flow



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There are great expectations for the usage of mobile phones in “the payment landscape”. However, what is worked on (and implemented) in Europe, USA and Asia is based on advanced technology.

There are easier ways to start if we learn from the “Mobile” business flow in Micro Finance:

1. If transfer amounts are low, simple (low cost) SMS confirm protocols, suitable for the most basic phone, do work.
2. The infrastructure used for “normal” payments can easily be adapted to support mobile payments. We have done it with **qPayIntegrator**.
3. Pre-paid mobile phones have same characteristics as a debit card. Why not fully use these possibilities...

What could this mean for Romania?

Issues to be solved:

- Is a legal framework necessary?
(e.g. Kenya with > 10 million subscribers works up till now without such framework!)
- B2C, C2C and C2B has to work
(easier than use all retail shops as cash office)
- (Cooperation between banks)
- User confidence

What could this mean for Romania?

Issues already solved:

- ❑ High penetration of mobile phones
(currently the mobile penetration is at about 115% - active users only; source Wikipedia)
- ❑ SMS traffic from banks

What could this mean for Romania?

Why use this model?

Support for easy money flows from (over)banked areas to under banked areas/individuals.

(One of the objectives of Microfinance)

To be considered for WR, pensions, wages etc.

Worth to start building the business case?