

# MOBILE TECHNOLOGY'S TRANSFORMATIVE IMPACT ON THE GLOBAL FINANCIAL SPACE

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*Mahindra Comviva is a global leader in mobile solutions which offers Mobile Financial Solutions, Mobile Data Solutions, Customer Value Management, Digital Lifestyle Solutions and many more.*

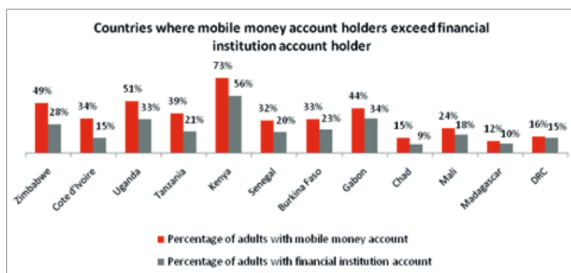
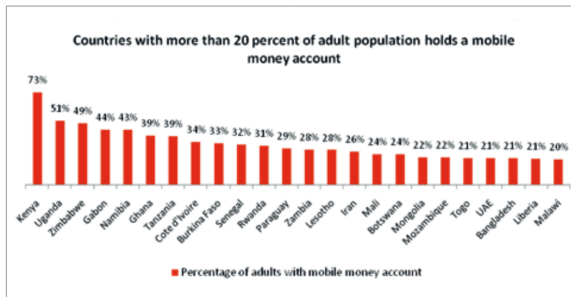


It would be fair to say that this decade is the one of financial inclusion. According to the World Bank Global Findex database, 1.2 billion customers opened an account at a financial institution or through a mobile money provider between 2011 and 2017. This originated largely from low and middle income countries, where the percentage

of adults holding an account leaped from 42 percent in 2011 to 63 percent in 2017.

Mobile money has enabled this growth, as it has established itself as a key financial instrument in many countries. As per the World Bank's Global Findex database, in 24 countries, more than 20 percent of the adult population has a mobile money account. In 12 countries, the number of mobile money account holders exceeded the number of accounts holders at financial institutions such as banks, microfinance institutions and others (see Graphs 1 & 2).

Clearly, the mobile money revolution has spread to the four corners of the globe. As per GSMA, there are 276 mobile money services in 90 countries, enabling access to 690 million registered users. These customers in turn process transactions worth a billion dollars a day.



## But, what is Mobile Money?

Mobile money does not require a bank account, which is why it has emerged as a viable alternative for the unbanked and the under-banked to access such services. The mobile number functions as a unique identifier, allowing customers to transfer money from one electronic wallet to another by merely typing the recipient's mobile number. This is critical for countries with poor banking infrastructure and low penetration of banking services.



Most providers offer the mobile money service via the Unstructured Supplementary Service Data (USSD) access channel. This is available on both feature phones and smartphones, thereby making the service available to everyone who owns a mobile phone.

An important part of mobile money is the agent who offers last mile services. These agents help customers register for the mobile money service and deposit & withdraw cash into and from mobile money wallets. A majority of mobile money services are offered by telecom operators, as they can leverage their extensive recharge agent network to offer last mile mobile money services.

### **From Money Transfers to Micro-Loans: A Phased Growth**

Mobile money services like M-Pesa, EcoCash, Airtel Money and Orange Money have transformed the financial landscape in developing countries. For instance, M-Pesa in Kenya is utilized by at least one person in 96 percent of Kenyan households. EcoCash in Zimbabwe accounts for 70 percent of all electronic payments in the country. Orange Money in Mali processed transactions valuing

\$4.8 billion in 2017, equivalent to 30 percent of the country's GDP.

This scale was carried-out in two phases. In phase one, mobile money service providers focused on acquiring customers and growing the agent network. Services on offer were restricted to basic ones, such as person-to-person transfers and airtime recharge. Once these got off the ground, operators added other transactional services such as payments for bills, merchants and salaries. Phase two began once these basic services reached critical mass, expanding into micro-loans, savings, savings clubs and insurance. Other services such as international remittance, financial aid payments and tax payments also became popular. In time, mobile money providers forged partnerships with banks, money transfer operators, government agencies, and non-governmental organizations to build a comprehensive digital payments ecosystem.

### **The Impact of Mobile Money**

The idea of mobile money is to provide convenience to unbanked customers, through anytime, anywhere

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accessibility. Other benefits include savings in terms of time, easy affordability and enhanced security over conventional informal systems. However, it is the social and economic impact of mobile money that cannot be understated, with mobile money contributing to 13 of United Nations' Sustainable Development Goals (SDG) according to GSMA. Science Magazine estimates that mobile money has lifted an estimated two percent of Kenyan households (numbering approximately 194,000) out of extreme poverty. It has enabled 185,000 women to graduate beyond subsistence farming and myriad part-time incomes into business or retail sales. This is clearly in aligned to SDG 1 – No Poverty.

In Mali, Orange Money offers a savings service, dubbed Sini Tonon, which also provides access to health insurance for pregnant women. This greatly helps in reducing the maternal mortality rate in country, in line with SDG 3 – Good Health and Well-being. In Zimbabwe, Mobile money service EcoCash has succeeded in replacing cash, thus digitizing 70 percent of the country's daily commercial transactions.

*The idea of mobile money is to provide convenience to unbanked customers, through anytime, anywhere accessibility*

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Moreover, EcoCash has created employment for over 150,000 people, in tune with SDG 8 – Decent work and Economic Growth. Another example is EcoCash Savings Club, which is used by a women's group to pool money digitally for emergencies. It has helped in

building financial resilience and reducing the financial gender gap. This meets the criterion set in the SDG 5 – Gender Equality.

Mobile money is helping in meeting SDG 5 – Affordable and clean Energy by providing a channel to enable recurring payments for solar energy access and related equipment. 1.6 million mobile money transactions are executed every month, as per GSMA. Reducing inequality, as stipulated by the SDG 10 is also a priority. Mobile money has made international remittance affordable by reducing the average cost of sending to 1.7 percent, which is well under the target of three percent, as specified in the SDG.

### **The India Story**

The last few years have witnessed significant progress on the financial inclusion front in India. According to the World Bank Global Findex database, 80 percent adults in India have a financial account now, up from 53 percent in 2014 and 35 percent in 2011. The gender gap too is being dealt with quite effectively, with the gap in financial access having shrunk to six percent only. An important factor driving this growth is the Pradhan Mantri Jan Dhan Yojana (PMJDY). Indeed, this has added 316 million financial accounts since its inception.

There are still challenges to be surmounted. In end-2016, approximately 25 percent of accounts created under the PMJDY initiative had zero balances. As per Global Findex database, 39 percent of Indian adults have not done any deposit or withdrawal from an account at a financial institution over the past one year. Moreover, in 2017, a mere 29 percent of Indian adults have made or received payments digitally. In addition, only five percent of Indian adults have used their mobile phone or the internet to access an account. The bad news is that this is lower than African and South Asian countries like Kenya, Tanzania, Zimbabwe and Bangladesh. There is a silver lining, though, with the government aggressively pushing digital payments. Mobile-enabled payments are, of course, an important part. BHIM, UPI and Bharat QR have laid the ground for the growth of mobile payments in the country. The onus is on the government to provide an impetus, which is being executed. For instance, all government offices are encouraged to accept payments via UPI and QR codes, a QR code is required on each utility bill and an increasing number of merchants are being encouraged to adopt BHIM and UPI. The growth of mobile payments is, clearly, on the right trajectory. **si**