Mobile-Money: Summary & Conclusions

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Agenda

- Introduction
- Needs/Issues
- Cases: Overview
- Security / Regulation
- Developing Countries
Introduction

- Noam
  - Lose control of money supply
  - Less effective tools
  - Customized monetary policy
Issues/Needs

- Lararus Muchenje
- Jared Miller
- Elizabeth Berthe
Challenge: Financial inclusion
- No infrastructure
- High cost of banking
- Income/res. requirements

Models
- Additive
- Transformation models e.g., M-Pesa
- Control? Banks or mobiles
Potential, but difficult

- 88% unbanked in Africa
- Many parties involved
- What are banks' business? saves/collection, payments,...
- Revolutionary!
  - Message based payments (MBP)
  - Credit handcuffs?
Accessibility, affordability...

- Education
- Liquidity
- Business model
- Relevant product and services

Q & A

- Issue in developed world
- Fraud -- education key
Elizabeth Berthe

- **Closer to client:** Bank 30K/Dirty rat
  - 85% unbanked
  - 10-20% GDP in Kenya
  - Carrying cash an issue
  - High transactions costs 10%
  - Shared phones issues
    - Accessibility, affordability & appropriateness
Cases

- Bill Hoffman
- Judith Mariscal / Ernesto Flores-Roux
- Judith O'Neill
- Billy Jack
Real possibly. Not all successful
- Key drivers: banks, merchants, MNO,...

Success factors: Enabled
- Mobile infrastructure
- Low penetration of FSI
- Partnerships
- No consistent pattern
Drivers

- Cost of transfers
  - Over the place; lots of variance
  - rural/urban
  - cost of transactions
  - Mobile penetrations

Drivers uncertain

- No consistent pattern
Players
- MNO/Banks
- Agents
- Banked/unbanked
- Cash/non-cash cultures

Requirements
- Security non-issue
- Caribbean: banks leading

Banks v. Mobiles
What has actually happen?

- Survey in Kenya: difficult
  - Greater adoption over time
  - Rich greater adopters, but equalizing
  - Reaching down income strata & women
Security /Regulations

- Thaer Sabri
- Nicholas Norman
- Leon Perlman
Thaer Sabri

- Money Laundering
  - What are m-payments?
  - What is laundering?
  - Obligations?
    - Know customer, DD
    - Suspicious activities
    - Record keeping, etc.
  - Discover & verify
    - Barrier to entry
Solution

- Legal obligation met
  - ID customer

- Compliance with legal obligations
  - *Via* merchants

- Case study
  - EU: Third party reliance, time, mobile user, agents
Nick Norman

How Secure is MM?

- Threats?
  - Reputation risk
  - Consumer perception as more secure
  - Fraudulent transactions
  - Financial risk
Nick Norman

- **Risks**
  - Man in the middle attack
  - Harvests accounts
  - Divert funds into their accounts

- **SMS/USSD**
  - High value targets
    - Salary/Social payment
    - ...

Nick Norman

- Good Practices
- SIM tool kit
- Limit transaction value
- Maximum number of transactions
- Host secure servers
- Consider consumers
Nick Norman

- No One Solution
  - BoP
  - Developed world
Leon Perlman

Challenge

- Paucity of laws & regulations
Focus on Savings

- Transactions cost hardest
- Delivery hardest

- Family & informal networks
- Financial service innovations
- Government efficiency
- Entrepreneurship
- Utilities payments
- Law enforcement & monetary auth.
Ignacio Mas

- Bridge to Cash
- How to build? (not electronic)
- Leverage existing assets
  - Banks transactions to expensive
  - High fixed cost
  - Direct channels
- Retail shops
- Real-time transactions
- Mobiles (not POS card reader)
Ignacio Mas

- P2P transactions
- B2P transactions (cash merchant)
- Savings / efficiencies
  - No bank involved
  - In real-time
  - Technical platform is responsibility of FSP
- Transaction limits & final
Ignacio Mas

- **Risks**
  - Cash in/out: Agency risk
  - Store is NOT a branch
  - Reduce costs to
    - Bank
    - Client
  - Low transaction costs
  - Relevant products
  - Trust
Ignacio Mas

- Prepaid, real-time
- Immediate account opening
  - No KYC requirements
  - No deposit (savings) risk
- Regulation
  - Test & learn
  - Flexibility
  - Neutral technology
  - Key dimension
Consumers' Issues

- Philip Keitel
- Bill Maurer
- Alditya Khurjekar
Philip Keitel

- Payment Trends
  - Credit cards decreasing
  - Debit cards increasing
  - Prepaid increasing
  - Product or Channel?

- Consumers' Protections
  - Fraud, errors, disputes...
  - Sources Fed./state leg. & reg
Bill Maurer

- Anthropology of money
  - How people use money?
  - How people use mobiles?
  - Not always the way you think.
No slides / More questions

Verizon

- Can make money
- Studies five years
  - Two different worlds banking & carriers
  - Consumers benefits
- Open platforms with smart phones
- POS (for digital < $25)
Developing Countries

- Len Waverman
- Sjoerd Nikkelen
- Menekse Gencer
Len Waverman

- Significant Empirical Work
Sjoerd Nikkelen

- Lack of Data, so far
- Data Commons (when complete)
Menekse Gencer

- mPay Connect
- Complex Ecosystem
Richard Field

- Observations/Thoughts
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