Brain Teaser

CAN ANYONE CONSTRUCT A SENTENCE WITH THE WORD “BECAUSE” REPEATED THREE CONSECUTIVE TIMES?

Answer at end of Presentation

Celpay International BV

Mobile Banking in Africa

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Columbia Institute for Tele Information - Columbia Business School

Presentation flow

1. Financial Inclusion – Status Quo
2. The Challenges
3. The opportunity
4. The proposed solutions - models
5. The Celpay Solution
6. Key learnings

Challenges – Financial Inclusion status Quo

<table>
<thead>
<tr>
<th></th>
<th>Banked</th>
<th>Formal Other</th>
<th>Informal</th>
<th>Financially excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA '09</td>
<td>60</td>
<td>16.5</td>
<td>23.5</td>
<td>26</td>
</tr>
<tr>
<td>Namibia '07</td>
<td>68</td>
<td>7.6</td>
<td>24.8</td>
<td>10.6</td>
</tr>
<tr>
<td>Botswana '09</td>
<td>41</td>
<td>14.5</td>
<td>35</td>
<td>5</td>
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<tr>
<td>Nigeria '08</td>
<td>21</td>
<td>24</td>
<td>53</td>
<td>2</td>
</tr>
<tr>
<td>Malawi '08</td>
<td>19</td>
<td>19</td>
<td>55</td>
<td>2</td>
</tr>
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<td>Zambia '09</td>
<td>11</td>
<td>14.9</td>
<td>43</td>
<td>3</td>
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<tr>
<td>Rwanda '09</td>
<td>16</td>
<td>12</td>
<td>50</td>
<td>4</td>
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<tr>
<td>Tanzania '09</td>
<td>19</td>
<td>10.2</td>
<td>56</td>
<td>3</td>
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<tr>
<td>Mozambique '09</td>
<td>14</td>
<td>19.3</td>
<td>78</td>
<td>3</td>
</tr>
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</table>

Fincope studies
Presentation flow

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Challenges

1. Lack of infrastructure
2. High cost of traditional banking
3. Lack of a regular income
4. Insufficient KYC documentation

Challenges

1. Lack of infrastructure - Africa

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Measure</th>
<th>PKR Value</th>
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<tbody>
<tr>
<td>Population</td>
<td>1.01</td>
<td>lakh</td>
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<tr>
<td>Total Branches</td>
<td>1270</td>
<td></td>
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</tr>
<tr>
<td>Total population</td>
<td>350m</td>
<td>lakh</td>
<td>350</td>
</tr>
<tr>
<td>Bank Branch Ratio</td>
<td>11.000</td>
<td></td>
<td>11.000</td>
</tr>
<tr>
<td>Total ATMs</td>
<td>400</td>
<td></td>
<td>400</td>
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<tr>
<td>Source: World Bank study</td>
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</tbody>
</table>

Challenges

1. Lack of infrastructure - Zambia

- Number Commercial Banks - 18
- Branch Network - 265
- Country Population - 12 million
- Banked population - 37%
- ATMs – 400

Source: Bank of Zambia

Challenges

1. High cost of traditional banking

- Minimum monthly account fees
- High transactional costs
- Punitive penalties for rejected transactions

Challenges

1. Lack of a regular income

- only 4.9 million people in employment
- Majority are farm labourers – seasonal employment
Challenges

Insufficient KYC documentation

• Proof of residence not available for most people
• Not everyone has a national registration card

Only 2.6% of the unbanked have sufficient KYC documents
Finscope Study

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Opportunity

1. 60% mobile penetration
2. All districts have mobile phone signal coverage
3. only 37% banking penetration

How is this opportunity being harnessed??

Opportunity

50% of branches

The proposed solutions - Models

1. Additive
2. Transformational
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The Celpay Solution

Celpay is a mobile banking company
It is neither a Bank nor a Mobile Network Operator
Celpay is bank and MNO agnostic
Celpay is technology and bearer channel agnostic
Celpay works with partner banks who hold trust accounts
Celpay is a transformational model

The proposed solutions - Models

Additive
In this model the mobile phone is merely another channel to an existing bank account
This is the model adopted by most banks
An example is FNB in SA who now have 2.5 million cellphone banking customers.
3 years to get first 1 million
12 months to get 2nd 1 million
Main use - prepaid airtime purchases 67%

Transformational
In this model the financial product is linked to a mobile phone and is aimed at the unbanked
This is the model adopted by Mobile Network Operators
A good example is Safaricom's M-Pesa
Mainly used for money transfer
Subscribers now reaching 12 million on MPesa

The proposed solutions - Models

Based on the models – the MNOs will control the Mobile Money Systems

Presentation flow

Celpay is a mobile banking company
Celpay has had success in G2P payments
US$100 million world bank funded demobilization project in DRC
The Celpay Solution

Celpay has had successes in b2b and c2b payments
7 years to get first cumulative US$1 billion in volumes
Will now take 12 months to get US$1 billion in volumes
Took five years to get to break-even

The Celpay Solution – Who are the users

Governments and NGO’s
Large corporates with cash collection challenges
Beverages, Satellite TV, Utilities, MNOs – main industries
Banks – use Celpay as a shared platform

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Key learnings

1. Establishment of a large agent footprint
   Celpay has over 400 Agents in Zambia and 200 POS
2. Agents must be reliable and product savvy
   Celpay trains agents each quarter
3. Regulation must be clear
   NPS Act of 2007
4. Ease of use of products and services
   Interactive menus have been deployed

Brain Teaser

YOU CANNOT START A SENTENCE WITH BECAUSE.
BECAUSE, BECAUSE IS A CONJUNCTION

Thank you