

Scale in Mobile Financial Services Yet to Be Achieved: Priorities to Unlock Growth Identified

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Kai Bucher, Associate Director, Media, Tel.: +1 212 703 2377, Kai.Bucher@weforum.org

- Few countries have achieved meaningful scale in mobile money transfer – savings and credit are still nascent
- Dense agent networks are characteristic of countries that have achieved scale in baseline mobile money transfer services
- Government disbursements through the mobile platform, continued cooperation and innovation among industry sectors, and improvements in the quality of data sharing are opportunities to help unlock growth
- Get more information and download the report and the full data set here: www.weforum.org/mfs

New York, USA – Despite the broad recognition that mobile financial services can serve as a means for “banking the unbanked” on a global basis, wide-scale adoption has yet to be achieved, according to a new report released today by the World Economic Forum. To meet the financial needs of underserved populations, most countries – even those that have achieved scale with mobile money transfer – should focus on the flexibility of regulatory provisions for non-bank players, the competitiveness of market structures and the strengthening of financial literacy skills of individuals.

The Mobile Financial Services Development Report 2011 provides a comprehensive analysis of over 100 variables across 20 countries in Africa, Latin America and Asia. Developed in conjunction with The Boston Consulting Group, the report measures the critical factors necessary to achieve meaningful scale of mobile financial services and to meet the needs of billions excluded from the formal economy.

The report highlights that the adoption of mobile financial services is currently confined to a few countries where access to financial services has been historically constrained and the scope of services limited to mobile money transfer. The findings also suggest that the adoption of financial services such as savings, credit and micro-insurance are nascent and that regulatory environments, market competitiveness and the financial literacy of end-users all need to be collaboratively addressed before meaningful scale can be achieved.

Countries such as Kenya and the Philippines are among the few countries covered by the report that have achieved adoption levels of more than 10% of the total adult population. A defining characteristic of these countries is a dense network of agents – retail access points that are capable of registering account holders and handling cash transactions. However, as these countries look to achieve scale in mobile financial services beyond payments, focusing on factors such as government disbursements through the mobile platform, the competitiveness of their financial and telecom sectors, and better data collection and monitoring to facilitate “test and learn” approaches will need to become a priority.

“Ultimately, the market will drive scale in mobile financial services,” said James Bilodeau, Associate Director, Head of Emerging Markets Finance, World Economic Forum USA. “However, public and private sector stakeholders must be focused on eliminating those obstacles to viable business models in order to create a virtuous cycle of adoption and innovation.”

When looking at the broader array of enabling factors covered in the report, several countries such as Brazil and India demonstrate relative strengths when compared to those countries that have currently achieved scale in mobile payments. The ability to leverage existing agent networks and consumer protection in Brazil may facilitate the development of more complex financial services through the mobile platform. The widespread availability of

mobile phones within India, the degree of competition within its telecom sector and recent regulatory changes may drive dramatic improvements in adoption levels.

“ The potential for the mobile platform to inclusively transform the financial lives of individuals and the structures of industries is unquestioned, ” said William Hoffman, Head of the Telecommunications Industry, World Economic Forum USA. “ What ’ s needed is the evidence and collective intelligence for navigating the complexity of the mobile finance landscape. This report serves as a tool for decision-makers in that regard. ”

“ Mobile technology provides unprecedented opportunities to reach poor and unbanked populations in places where traditional financial services have not historically thrived. The challenge for policy-makers in developing countries is to find ways to free these new channels to the poor while also maintaining a safe and secure national financial sector, ” said Alfred Hannig, Executive Director, Alliance for Financial Inclusion (AFI). “ This new report sheds light on the risks and opportunities with mobile financial services in developing countries, and is a valuable tool for regulators worldwide. ”

Estimates of mobile financial services adoption in the 20 countries surveyed were compiled through an analysis of deployments done in collaboration with the GSM Development Fund. A survey of regulators, conducted jointly with the Alliance for Financial Inclusion, provided data on regulations specific to mobile financial services. Data from a number of secondary sources such as the Consultative Group to Assist the Poor (CGAP) were also integrated into the analysis. The report contains profiles for each country featured in the study, including a summary of the relative advantages and disadvantages within its mobile financial services ecosystem. Also included is an extensive listing of data tables showing results for each variable used in the country profiles. The data set is available for download and can also be analysed online with other World Economic Forum data sets for deeper and customized analysis.

The World Economic Forum is grateful to The Boston Consulting Group for its support as project adviser to this report and the Industry Partner community for serving on the project working group. Partners in this working group include Bharti Airtel, the Bill and Melinda Gates Foundation, Citigroup, ICICI Bank, MasterCard, Standard Chartered, Telenor, Verifone Holdings, Visa, and the Vodafone Group.

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World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>