



ACTIVITY BRIEF



July 2013

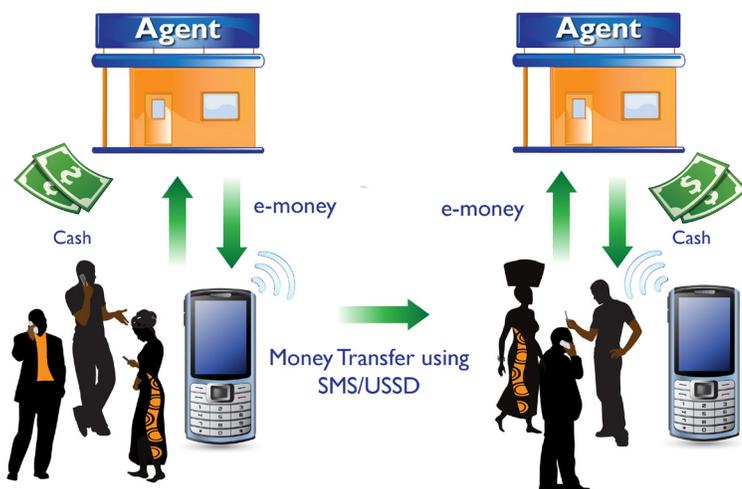
Mobile Money: Defined

Mobile money describes financial transactions that are conducted using a mobile phone, where value is stored virtually (e-money) in an account associated with a SIM card. Such transactions are compatible with basic phones and do not require internet access. Mobile money systems have the potential of extending the reach of financial services to populations not served by the traditional banking sector.

Approximately three-quarters of adults living on less than \$2 per day do not have an account at a financial institution.¹ Lack of formal financial services limits access to credit, savings, remittances, insurance, and other instruments that play an important role in providing poor and vulnerable populations with financial protection from health care costs. In Sub-Saharan Africa, 12% of the population without a formal bank account uses mobile phones to conduct financial transactions,² and in at least 28 countries around the world there are more mobile money agent outlets than formal bank branches.³

Mobile money systems vary across countries and between service providers. The most common model establishes a network of agents – points at which users can convert between cash and e-money. Agents recruited as mobile money vendors often have other roles in the community such as retail shop owners and airtime kiosks. E-money stored on a customer’s mobile account can be transferred via text messages to other users, who can store the funds in their account, transfer them on, or cash out at an agent. While the amount of money allowed in an account varies across systems, mobile money systems tend to be designed for smaller and more frequent transactions.

Overview of Basic Mobile Money Transactions



¹ Demircuc-Kunt, A., and L. Klapper. 2012. "Measuring Financial Inclusion: The Global Findex Database." Policy Research Working Paper 6025, World Bank, Washington, DC.

² Ibid.

³ Penicaud, Claire. GSMA – Mobile Money for the Unbanked. State of the Industry: Results from the 2012 Global Mobile Money Adoption Survey.

The Health Finance and Governance (HFG) project works with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. Designed to fundamentally strengthen health systems, the HFG project will improve health in partner countries by expanding people's access to health care, especially priority health services.

The HFG project is a five-year (2012-2017), \$209 million global project funded by the U.S. Agency for International Development. The HFG project is led by Abt Associates Inc. in collaboration with Broad Branch Associates, Development Alternatives Inc., Futures Institute, Johns Hopkins Bloomberg School of Public Health, Results for Development Institute, RTI International, and Training Resources Group, Inc.



Abt Associates
4550 Montgomery Avenue
Suite 800 North
Bethesda, MD 20814
www.abtassociates.com

DISCLAIMER

The author's views expressed here do not necessarily reflect the views of the U.S. Agency for International Development or the U.S. Government.

The types of transactions made through mobile money can include:

- ▶ Person-to-person (e.g., sending funds to a family member)
- ▶ Consumer-to-business (e.g. paying a utility bill)
- ▶ Business-to-business (e.g. settling supply costs)
- ▶ Government-to-consumer (e.g social welfare payments)

As mobile phone-based financial systems develop, some grow from simple individual transactions to include more sophisticated finance and banking components.

Mobile network operators have been a driver of the growth of mobile money, including the most popular platform, M-PESA, which registered 2/3rds of the adults in Kenya within 5 years of its 2007 launch.⁴ In other countries, systems may also be bank-led or third-party operated, with regulatory bodies in some countries requiring bank involvement to varying degrees. Bank-led or bank-partnered mobile money systems may allow for connection to an individual's bank account, adding functionality to both the bank and e-money accounts. Third-party platforms, such as bKash in Bangladesh, offer payment services on all mobile networks, which can facilitate widespread adoption of mobile money and lowering barriers to use.

Mobile Money's Global Reach

As of July 2013, the GSMA Mobile Money for the Unbanked Deployment Tracker listed 167 live mobile money services and 108 planned deployments in developing countries around the world. Mobile money services have been launched in over 70 countries, with over 41 new launches in 2012. The majority of the current mobile money deployments are located in Sub-Saharan Africa, and deployments in other regions, including Latin America and the Caribbean, are growing rapidly.

Partnerships between governments, financial companies, mobile network operations, mobile money providers, and donors are helping to expand mobile money solutions around the world, assisting countries to move from cash to electronic payments while ensuring financial inclusion for the poor. One such global partnership, the Better Than Cash Alliance (BTCA), is committed to supporting governments and the development community in their efforts to implement electronic payment solutions. The USAID Mobile Solutions Team is launching a number of initiatives aimed at replacing cash where feasible and appropriate, throughout the Agency's development programs. These initiatives aim to accelerate development outcomes by enhancing the accountability, security and efficiency of financial transactions.

Additional Information on Mobile Money and Financial Inclusion for the Poor can be found at:

- ▶ USAID Mobile Solutions
- ▶ Better than Cash Alliance
- ▶ Bill & Melinda Gates Foundation Financial Services for the Poor
- ▶ Consultative Group to Assist the Poor (CGAP)
- ▶ Bankable Frontier Associates (BFA)
- ▶ GSMA Mobile Money for the Unbanked
- ▶ Alliance for Financial Inclusion

⁴ 8 WASH J.LTECH. & ARTS 375 (2013) <http://digital.law.washington.edu/dspace-law/handle/1773.1/1204>

⁵GSMA MMU Deployment Tracker. <http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked/tracker>. Accessed April 2013.